

AR73

innovative

engineered
solutions

safe

cost-
effective

reliable

ANNUAL REPORT

ENSIGN 2001

RESOURCE SERVICE GROUP INC.

Ensign Resource Service Group Inc. provides drilling, well servicing, manufacturing and production services to North America's crude oil and natural gas industry. Headquartered in Calgary, Alberta, with operations stretching across western Canada, the Rocky Mountain region of the United States and into California, the Ensign Group has accumulated an extensive oilfield services equipment fleet to meet the technical challenges associated with providing oilfield services in every type of terrain and climate. From the Ensign Group's inception in 1989, our innovative technologies have advanced the science of drilling and well servicing and we have provided industry leadership in our safety standards and environmental stewardship. Ensign Group shares are listed on The Toronto Stock Exchange under the trading symbol ESI.

ABOUT THE COVER The Ensign Group's 2001 annual report features our Automated Drill Rig (ADR™), one of the most significant evolutions in drilling rig design since the 1950s. Read more about the ADR™ on page 10 of this report.

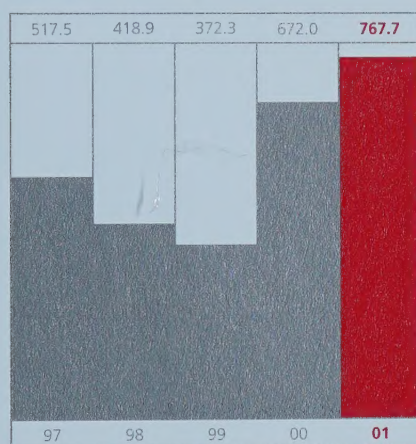
Highlights

(\$000s, except per share data)

	2001	2000
Financial		
Revenue	767,669	672,041
Net income	100,828	86,999
Per share	1.37	1.19
Cash flow	132,087	105,903
Per share	1.79	1.45
Shareholders' equity	432,059	338,654
Long-term debt, net of current portion	—	14,938
Weighted average number of shares outstanding	73,673,402	72,819,858
Return on average Shareholders' equity	26.2%	29.2%

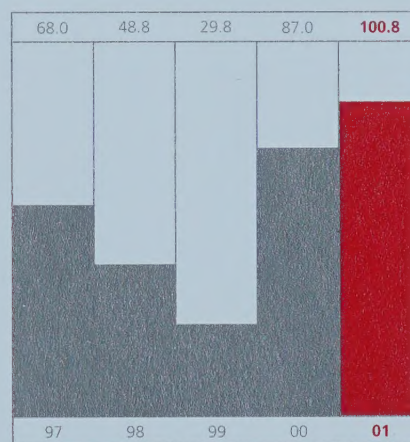
Revenue

(\$ Millions)



Net Income

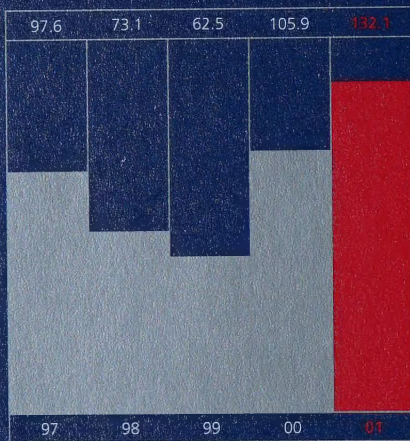
(\$ Millions)



	2001	2000
Operating		
Number of drilling rigs	223	215
Number of well servicing rigs and coil tubing units	139	140
Wells drilled (Canada)	4,564	4,980
Wells drilled (United States)	874	1,064
Rig utilization rate (%)		
Drilling (Canada)	48.1	54.6
Drilling (United States)	66.7	56.7
Well servicing	36.1	41.0

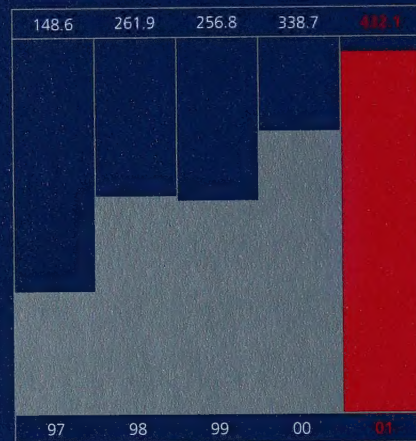
Cash Flow

(\$ Millions)

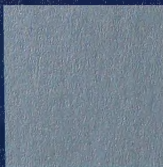


Shareholders' Equity

(\$ Millions)



cost-
effective



Letter to Shareholders

reliable



The year 2001 began with record high activity levels only to see North American activity slow due to lower commodity prices and economic uncertainty in the second half of the year. Despite the year's significant challenges however, the Ensign Group's characteristic focus and resolve delivered record financial results, a strong balance sheet, and an expanded and improved portfolio of assets.

Thriving Through Turbulent Times

During the year, commodity prices fluctuated dramatically, mega-mergers and acquisitions reshaped Canada's energy industry, and companies reeled from the economic fallout of the tragic events of September 11 and a North American economy that was already slowing down. Rarely have so many operating and financial opportunities and challenges occurred in a single twelve-month period.

In the first half of the year, exceptionally strong natural gas prices and healthy oil prices in North America spurred exploration and production activity to record levels. By the second half of the year however, energy commodity prices weakened dramatically, pulled down by slowed economic activity and further undermined by an exceptionally warm fall and winter season. Energy industry activity stalled as companies re-evaluated their exploration and production plans in view of the changing economic picture.

Industry activity levels are driven primarily by commodity prices and have a direct impact on the Ensign Group's operating and financial results. Our experience guides us to manage our operating and financial affairs to ensure the Company remains strong and profitable regardless of the phase of the commodity price cycle. When commodity prices are high, we remember that ours is a cyclical industry – we have always understood that it is as important to remain disciplined when times are good, as it is when times are difficult. By practicing this discipline, we have consistently returned value to our shareholders, and 2001 was no exception.

Despite a significant reduction in oilfield activity in the second half of the year, the Ensign Group's total revenues increased 14 percent to \$767.7 million. Net income grew 16 percent over the prior year to \$100.8 million. Operating expenses decreased to 71.2 percent of revenue or \$546.4 million, compared to 72.3 percent or \$486.0 million in 2000. The increase in gross margin on a year-over-year basis reflects the strong revenue rates captured by our drilling divisions during the first six months of the year, as well as continued efforts to control costs. General and administrative expenses decreased by \$0.7 million to \$26.2 million in 2001, approximately 3.4 percent of revenue compared to the 4 percent recorded in the prior year. Return on average shareholders' equity was 26.2 percent in 2001, compared to 29.2 percent in 2000.

Four simple but highly effective strengths have contributed to our exceptional financial and operating success, not only during 2001, but over the past decade. These are: maintaining a diverse base of operations; a strong commitment to the safety and well-being of our employees and a focus on customer needs and service; pursuing an opportunistic growth strategy; and maintaining a consistent financial discipline. Let's explore these strengths and how they each contributed to the Ensign Group's results during 2001.

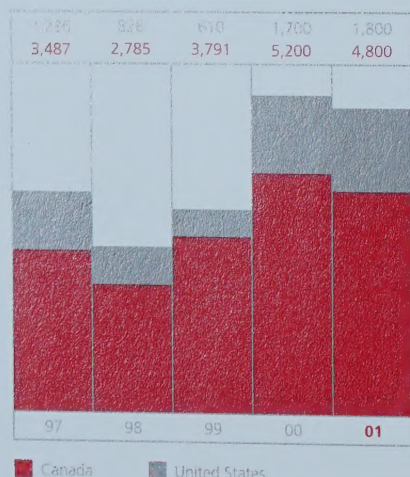
Operational Diversity

We maintain a diverse base of operations, both geographically and technically. The Ensign Group is one of the largest drilling and well servicing contractors in North America. In Canada we are the second largest oilfield and the third largest well servicing provider. We are active in the major crude oil and natural gas producing regions of the Western Canadian Sedimentary Basin (WCSB), the United States Rocky Mountain region and in California.

In 2001, we once again broadened our geographical reach by completing initiatives for future oil and natural gas development in the Canadian arctic. In April, we partnered in the establishment of Arctic Ensign Drilling Ltd. (Arctic Ensign), which will provide oilfield services in the Inuvialuit Settlement Region of the Northwest Territories. In August, we partnered in the establishment of Gwich'in Ensign Oilfield Services Inc. (Gwich'in Ensign) for the purpose of providing oil and natural gas drilling and other oilfield services in the Gwich'in Settlement Area of the Northwest Territories. Both of these regions are poised for significant oil and natural gas development efforts in the near future.

Metres Drilled

(Thousands of Metres)



2001 Revenue



Our equipment is as diverse as our geographical breadth. The Ensign Group's fleet is capable of performing at any depth, in every type of climate and terrain from the arctic to California. This diversity enables us to quickly capitalize on shifts in market demand.

As the WCSB has matured and as prospects for improved natural gas prices have risen, industry activity has migrated westward to capture opportunities in areas of deeper and more complex geology. Over the past decade as commodity price cycles have shortened, producers have needed to become more flexible in order to capture opportunities. Our fleet has the mobility and our people have the adaptability required to meet every drilling challenge.

Our Canadian drilling divisions, comprised of Champion Drilling, Ensign Drilling, Tri-City Drilling and Enhanced Petroleum Services Partnership, operate a fleet of 154 drilling rigs, encompassing the complete spectrum of oil and natural gas drilling depths, from 400 metres (1,300 feet) to 6,000 metres (20,000 feet). Ensign Drilling operates deeper rigs and has developed a leadership role in the area of horizontal drilling, including underbalanced drilling and the specialized horizontal drilling requirements of the heavy oil regions, while Tri-City Drilling and Champion Drilling concentrate on shallow to intermediate depth oil and natural gas wells. Closely associated with our drilling operations, Enhanced Petroleum Services operates 12 underbalanced drilling packages as well as the Ensign Group's oilfield rental assets.

In the United States, Caza Drilling Inc. operates 52 rigs in the Rocky Mountain region, while Caza Drilling (California) Inc. operates 17 rigs in California. The Ensign Group first entered the United States oilfield services industry in 1994 with its acquisition and subsequent expansion of Caza Drilling Inc. The Rocky Mountain region of the United States is comprised of the states of Arizona, Colorado, Idaho, Montana, Nebraska, New Mexico, North Dakota, South Dakota, Utah and Wyoming. This area contains a number of different oil and natural gas producing basins; however, with the exception of North Dakota and central Wyoming, the balance of this vast region is prone to natural gas production. Caza Drilling (California) Inc. operates primarily in the heavy oil region of the San Joaquin Basin in California. In 2001, this division's operations were expanded into certain natural gas producing areas of California. The utilization rate for these divisions increased from 57 percent to 67 percent in 2001, based on 55 marketed rigs, reflecting the high demand for drilling services during the first half of 2001.

Rockwell Servicing Partnership, our oil and natural gas well servicing division, operates a combined fleet of 126 well servicing rigs and 13 coiled tubing service units. We provide services throughout Alberta, Saskatchewan and northeast British Columbia. This division has earned recognition for servicing heavy oil wells and currently operates 10 of the slant service rigs available to the industry.

Finally, our Opsco Energy Industries division provides manufacturing and production services to the Canadian oil and natural gas industry. This division specializes in the design and construction of oilfield production equipment, including separators, dehydrators and line-heaters for use primarily in the natural gas industry. Opsco also provides wireline, production testing and well optimization services, and currently operates 32 wireline units and 41 production testing units throughout the WCSB including operations in the Canadian arctic.

Focus on Safety and Customer Service

We emphasize safety and customer service in everything we do. We have always considered safe operations to be one of the most critical benchmarks for the Ensign Group, our employees and customers. This past year, several tragic incidents remind us that we must remain absolutely diligent in ensuring that every manager, supervisor and employee understands the importance of safety. These incidents have further strengthened our resolve to continuously improve our safety programs. We are dedicated to continuous improvement in training and safety standards and equipment design to support our goal of a safe work environment.

We have implemented computerized interactive safety training programs in many of our divisions; we have emphasized improved safety practices and performance both on the job and on the highway; and we have designed and constructed state-of-the-art drilling rigs incorporating features that eliminate a variety of the operational hazards associated with rig operations. In the past year for example, the Ensign Group constructed four new Automated Drill Rig (ADR™) packages; there are now eight first and

Almost entirely automated, the ADR™ is not only extremely flexible and highly mobile, its design significantly improves working conditions on the well site. These rigs combine advanced safety features with the operational innovations that customers prefer.

second generation ADR™ rigs in our fleet. The ADR™ drills over a broad spectrum, from depths of 400 metres to 2,000 metres; because of this, an ADR™ experiences better utilization year round in the WCSB – during winter months it is deployed to drill for deeper targets in the north, then moved at the end of the northern drilling season and used to drill for shallow targets in the south. On page 10 of this report, we introduce the ADR™, and further explore the rig's capabilities and competitive advantages.

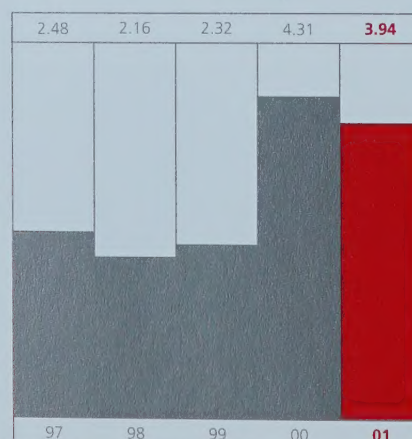
Crude Oil Pricing

(U.S.\$/bbl – WTI)



Natural Gas Pricing

(U.S.\$/mmbtu – NYMEX)



Opportunistic Growth

We have continued the pursuit of an opportunistic growth strategy that has consistently resulted in value added expansion for the Ensign Group. Over the years, we have grown both externally through strategic acquisitions, and internally through expansion and rig technology upgrades. In 2001 for example, we invested approximately \$60 million in a drilling rig re-engineering program designed to refurbish some technologically aging equipment and upgrade the performance on existing equipment. As the WCSB matures, we anticipate increased demand for rigs with greater technical capability and flexibility as producers pursue deeper and more elusive targets and migrate into areas of more complex geology.

Our rig re-engineering program has expanded our fleet's capabilities, especially at the deeper end of the drilling spectrum. By the end of January 2002, we added nine re-engineered rigs into our drilling fleet: two triples and three doubles as well as four ADR™ rigs. Not only are these re-engineered rigs more automated, safer, more mobile and technically superior, they are also highly adaptable, which means that they can drill in a variety of terrain at a variety of depths, increasing their flexibility and ultimately customer demand.

Several years ago, we anticipated that growing market demand and declining supply would create a shift in producer focus from oil to natural gas, not only in Canada but also in the United States Rocky Mountain region, which remains a relatively unexploited frontier for natural gas.

By 2001, the Ensign Group's United States oilfield services division, Caza Drilling Inc., had become a market leader in the Rocky Mountain region. We were in position to benefit from increased producer interest in the region as natural gas prices strengthened, and improvements in production infrastructure enhanced market access.

As previously mentioned, in anticipation of future development of oil and natural gas resources in the Canadian arctic, we established two strategic partnerships in 2001. Arctic Ensign and Gwich'in Ensign were established to participate in the expected increase in oilfield services activity within the Inuvialuit Settlement Region and Gwich'in Settlement Area of northern Canada. The efficient development of natural gas resources in these areas is critical to the success of the proposed Mackenzie Valley pipeline.

The Ensign Group is committed to the success of Arctic Ensign and Gwich'in Ensign. A critical component of both initiatives involves a commitment to the training and employment of northern peoples. We believe that the development of a local workforce and infrastructure is key to the continued development of the oil and natural gas resources of the arctic region of Canada. Although declining natural gas prices have set back development plans in the near term, we remain optimistic about the long-term potential for this region.

Financial and Operational Discipline

One of the Ensign Group's fundamental corporate goals has been to maintain the strength of its balance sheet. To do this, we consistently demonstrate financial discipline in every phase of the commodity price cycle. We keep our costs tightly controlled; as a percentage of revenue, our general and administrative expense decreased to 3.4 percent of revenue in 2001 compared to 4 percent in 2000. The Ensign Group is particularly vigilant to control operating costs and this helps to improve margins. As industry activity slows, we quickly refocus on curbing fixed costs by identifying and parking surplus equipment and deferring discretionary spending.

As a result of our management resolve, the Ensign Group is in the enviable position of having no long-term debt. Our debt-free status provides the Ensign Group with the flexibility it needs to pursue our strategies to increase shareholder value.

The best opportunities for growth typically come when commodity prices are low, industry activity has slowed and cash flows decline. By maintaining the financial flexibility to act counter-cyclically, we avoid overpaying for assets; this resolve is critical to our opportunistic growth strategy and is a major reason why we have been able to successfully grow the Company while maintaining a strong balance sheet.

Outlook

The Canadian Association of Oilwell Drilling Contractors is forecasting that approximately 13,600 wells will be drilled in western Canada in 2002, considerably less than the 18,000 wells drilled in 2001. Although there have been encouraging signs of recovery in the past months, we do not anticipate oilfield services activity to recover significantly until the fourth quarter of 2002. Ensign's challenge will be to continue its financial performance in the face of a cyclical decline in industry activity and increased competition. However, as in past downturns the Ensign Group is exceptionally well positioned to weather the current reduction in industry activity.

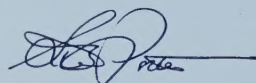
We have the financial strength and cost discipline to maintain our competitive position; we have a technically advanced fleet of assets with the mobility and flexibility that today's customers demand; and we have a team of dedicated oilfield service experts who design, build, market and operate our fleet.

In closing, on behalf of our shareholders, we would like to thank every member of the Ensign Group team for their continued support and commitment.



N. Murray Edwards
Chairman

April 10, 2002



Selby Porter
President

The Ensign Group Operations



CANADIAN OILFIELD SERVICES

Drilling & Completion

Ensign Drilling Partnership

- Ensign Drilling
- Tri-City Drilling
- Champion Drilling

Arctic Ensign Drilling
Gwich'in Ensign Oilfield Services
Enhanced Petroleum Services

Well Servicing

Rockwell Servicing Partnership

- Rockwell Servicing
- Leyen Oilwell Servicing
- Badge Servicing
- Continuous Tubing

Manufacturing and Production Services

Opsco Energy Industries

U.S. OILFIELD SERVICES

Drilling & Completion

Caza Drilling Inc.
Caza Drilling (California) Inc.

The Automated Drill Rig

One of the most significant innovations in drilling rig design in the past decade began in 1995 and the ADR™ prototype has quietly gained market recognition during the last six years in the very competitive shallow water market. The ADR™ incorporates all the proven innovations and improvements of the previous prototype, yet has an expanded depth range to 2,000 metres. Its applications in the WCSB fall in the range of the ADR™ rig's capability. During the winter season, it can be quickly and economically relocated and used in the southern region of the WCSB.

One rig, one job means a single rig can now cover a wide range of applications, significantly increasing utilization rates.

Safety and speed in one package

From the protected, air conditioned cabin, operators can operate the fully automated pipe handling system. This eliminates the need for rig crews from direct pipe handling activities and significantly reduces the risk of injury or fatality.

Design replaces two current rig categories

The ADR™ is the best of two worlds; it covers the functional capability of both the traditional single drill rig and the more complex double drill rig.

Move and be drilling within the hour

The ADR™ design and technology provide for 30 percent fewer interconnections improving the integrity of the rig's functions as compared to previous designs. The ADR™ can be assembled and disassembled rapidly, improving its mobility.





ADR™ design complements advances in bit and mud-motor technology

The ADR™ takes full advantage of new bit technology that allows drilling to 2,000-metre depths in one bit run, thereby virtually eliminating the necessity to rack drill pipe in the d

Zero disturbance

Self-leveling loads and no matting requirements enable the ADR™ to significantly reduce the ground disturbance associated with the drilli

Minimal location size required

The small footprint of the ADR™ fits onto locations half the size of typical double

Micro control of torque and weight on bit

Inherent in the ADR™ design is the ability to micro-adjust torque and weight on bit. This feature provides greater control in the drilling proc

Connections decreased by 1/3

The ADR™ is designed to take advantage of the use of longer range 3 drill pipe. This results in connections being made, which means tripping drill pipe in and out of the hole is achieved with savings in connection time of appr

No drawworks

The ADR™ is unlike a conventional drilling rig. The drill string is worked utilizing a floating crown top drive assembly coupled to two hydraulic ram cylinder

Pull down capability

The ADR™ has inherent pull down capability. This allows for flexibility in horizontal wells where weight on bit is an issue and also on surface holes which require the application of significant down force to start drilling. The automated pull down system instantly turns the handling of casing-light situations into routine events for the ADR™.

Built-in top drive

Capable of 20,000 ft lbs of torque, the integrated top drive allows the advantage of back reaming, well control and finite rotational control for directional and horizontal drilling. Casing is run with the pipe handling system and torqued precisely using the top drive, eliminating the need for power tongs.

Safety and Environment



Safety

Ensuring the safety of our employees, our customers and the general public is our highest priority. Safety is a core value and a key element of the culture at the Ensign Group. We have developed programs and procedures to ensure that safety is always the first consideration, whether they be injuries, equipment losses or losses in productivity. We have a strong safety record throughout western Canada and portions of the western United States. We have developed standard safety policies and procedures that are followed across all divisions. We are committed to being able to operate in a safe and responsible manner.

Ensuring a safe working environment for our employees, our customers and the general public at large is not only the responsible thing to do, but also an important way of differentiating our Company from many of our competitors.

We are increasingly more focused on how our safety standards and procedures can help us avoid interruptions in service due to unintended incidents can prove to be a significant cost to the Ensign Group's health, safety and environmental standards and procedures are continuously reviewed and proactively updated, and followed by all employees, from the front line to the executive level.

Safety Program Initiatives

We have continued the development of its existing safety policies and practices aimed at improving the safety of our personnel and operations, as well as our record. Some of the important components of our safety program included:

- Conducting external audits of our safety programs, including our management systems;
- Making safety the first order of business everyday;
- Conducting internal operational reviews of programs and processes; and
- Identifying and mitigating hazards through the "Hazard Identification" and "Do-it" programs. These programs are designed to involve all workers in identifying hazards and encourage safe work habits. We also provide guidance on company-wide safety issues.

Initiatives Established Over the Past Year

The Ensign Group, through its team of safety professionals, has established training programs to assist in preparing new recruits for a career in the oilfield services industry. New employees are processed through training programs, such as those at our training center in Nisku, Alberta, where they are exposed to a variety of instructional videos and interactive computer programs dealing with topics ranging from general oilfield equipment terminology and operation to detailed safety standards and procedures. Once on location, the orientation for new employees continues with supervision and personal instruction from experienced crew members. This process continues throughout an employee's career with the Company. As the Ensign Group considers safe operations a core management competency, we conduct regular safety leadership sessions for supervisors and managers.

Some new program initiatives that are being implemented include:

- computer based systems which detail regulated scheduled equipment maintenance as well as Ensign's equipment standards, which exceed regulated requirements;
- driver training, to reduce vehicle incidents and injuries; and
- the "DACUM" program, which assists in the documentation of the development of worker skills.

Engineering Initiatives

Beyond these current programs, we are continually working to "engineer out" the hazards in our business, and the development of the ADR™ is a prime example of one such initiative. The ADR™ removes workers from the rig floor and reduces many pipe and tool handling tasks, activities that have been identified with approximately 40 percent of work related incidents.

As well as using re-engineering to improve equipment safety, we conduct continual on-site inspections to identify and reduce hazards. On a regular basis we review and modify equipment standards and actively use re-certification programs that exceed industry standards.

Supervision and Worker Empowerment

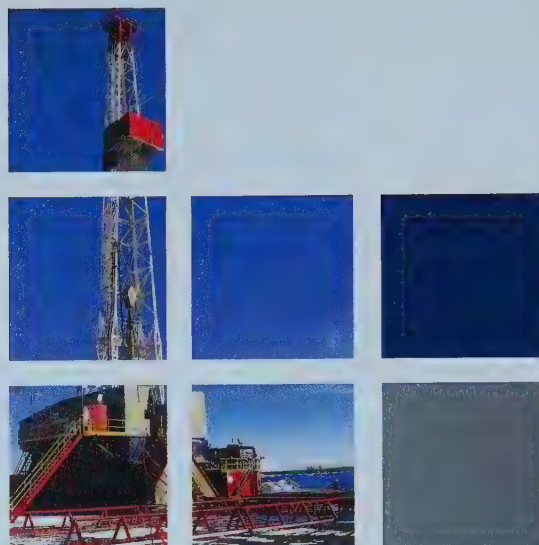
Despite our rigorous efforts, several recent tragic incidents have strengthened our determination to do even more. At the Ensign Group, workers have always been instructed on their statutory right to refuse unsafe work. We have further reinforced with supervisors their obligation and authority to call a "time out" on a job if a threatening condition emerges.

Management of safety is not an easy task and the goals are often elusive, but the commitment of management, supervisors and workers has never been greater. In 2002 we are determined to raise the bar even higher. Your Company is committed to continue to invest in the safety of our people through a program of continuous improvement. We are also expanding our programs to help ensure all workers arrive safely at work every day.

Environment

As with our safety standards, the Ensign Group's stringent environmental policies and procedures have been implemented across all of our operating divisions. We are specifically committed to reducing, reusing, recycling and reclaiming materials resulting from the waste generated by our operations. To this end, all drilling and well servicing rig managers have completed waste and environmental management training and all rig crews are trained in the transportation and disposal of hazardous materials and dangerous goods. The Company's environmental standards for oilfield waste management are posted at all rig sites to keep environmental awareness and procedures at the forefront of the minds of our personnel.

Management's Discussion and Analysis



This Management's Discussion and Analysis is prepared by Ensign Resource Service Group Inc. (the Company or the Ensign Group) and is supplemental to the consolidated financial statements and Company's 2001 Annual Report. The consolidated financial statements for the year ended December 31, 2001, were prepared in accordance with generally accepted accounting principles in Canada.

This Management's Discussion and Analysis contains forward-looking statements based upon current expectations and assumptions. There are many uncertainties. The factors that could cause results to differ materially from those expected or anticipated include economic conditions, oil and natural gas prices, weather conditions and other factors. The Company may be required to raise capital or other unforeseen conditions which could impact on the Company's performance.

Overview

The Ensign Group's proven strategy revolves around four core strengths: efficient operations, opportunistic growth strategy; commitment to safety and customer service, and financial strength and discipline. Continued adherence to this strategy enabled the Ensign Group to achieve record financial results in 2001, despite a significant reduction in oilfield services activity during the second half of the year.

The number of oilfield services by the Company's customers was significantly curtailed during the final six months of 2001 as oil and natural gas exploration and production companies responded to the rapid and substantial softening of crude oil and natural gas commodity prices. During the year ended December 31, 2001, the number of wells drilled in the Western Canadian Sedimentary Basin (WCSB) totaled 17,983, an increase of nine percent from the 16,485 wells drilled during 2000. The increase in the number of wells drilled in 2001 reflects the strength of the oilfield services industry during the first

half of 2001. Activity levels in the United States, and in particular the Rocky Mountain region of the United States, lagged the second half reduction in demand for oilfield services experienced in Canada. As a result, increased revenues from the Company's United States operations partially offset the reduction in Canadian revenues in the last half of the 2001.

During 2001, the Ensign Group established two entities to facilitate the supply of oilfield services in Canada's arctic region. In April 2001, Arctic Ensign Drilling Ltd. (Arctic Ensign) was established for the purpose of providing oilfield services in the Inuvialuit Settlement Region of the Northwest Territories. In August 2001, Gwich'in Ensign Oilfield Services Inc. was established for the purpose of providing oilfield services in the Gwich'in Settlement Area of the Northwest Territories. The Ensign Group has a 49 percent ownership interest in each of these new entities. In February 2002, Arctic Ensign completed its first job, a coiled tubing cement drill-out on a well located in the Mackenzie Delta and is currently performing production testing services for a major customer in the Inuvialuit region of the Northwest Territories.

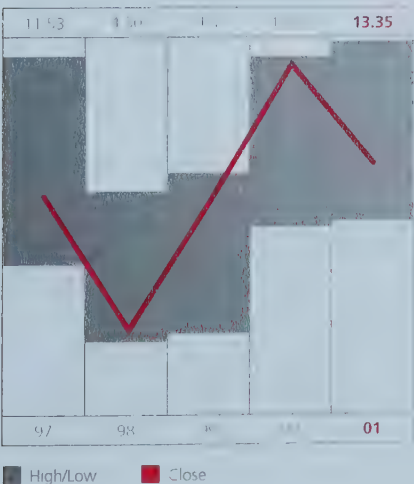
Consolidated Results

For the 2001 fiscal year, consolidated revenue increased from \$672.0 million in 2000 to \$767.7 million in 2001. Consolidated net income was \$15.57 per share, an increase of 16 percent from \$87.0 million, or \$1.19 per share, in 2000. Cash flow before changes in non-cash working capital was \$132.1 million, or \$1.79 per share in 2001, compared to \$105.9 million, or \$1.41 per share in 2000, an increase of 25 percent. The increase in revenue, net income and cash flow from 2000 reflects the strength of the oilfield services industry during the first six months of 2001 and highlights the impact a robust North American oilfield services industry and increased equipment utilization rates can have on the Ensign Group's financial performance.

Return on average shareholders' equity for 2001 was 26.2 percent compared to 29.2 percent in 2000 and demonstrates continued strong returns generated by the Ensign Group for its shareholders despite a reduction in industry activity in the second half of 2001.

Share Performance

(\$/Share)



Review of Operations

The Ensign Group operates in two market segments, Canadian and United States oilfield services. The Company's Canadian oilfield service operations are comprised of land-based contract drilling, well servicing, and the provision of manufacturing, wireline, production testing and underbalanced drilling services to the crude oil and natural gas industry. In the United States, the Company's operations consist of land-based contract drilling in the Rocky Mountain region of the United States and the San Joaquin basin in California.

Canadian Oilfield Services

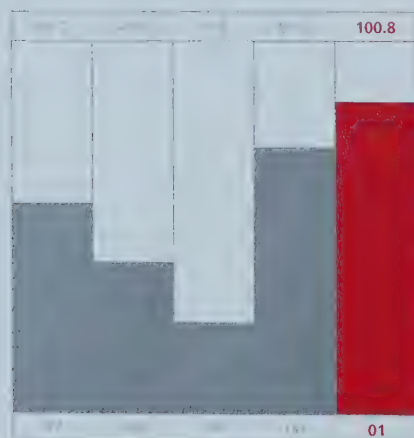
The Ensign Group is Canada's second largest land-based drilling contractor and third largest well servicing contractor. The Ensign Group operates in every crude oil and natural gas producing area in the WCSB. The Company is capable of providing innovative oilfield service solutions that meet the diverse requirements of its energy industry customers.

Contract Drilling

The Ensign Group's Canadian contract drilling operations are conducted through the Ensign Drilling Partnership, which consists of three separate divisions: Ensign Drilling – based out of Nisku, Alberta; Tri-City Drilling – based out of Edmonton, Alberta; and Champion Drilling – based out of Brooks, Alberta. By the end of January 2002, the Ensign Group's Canadian drilling fleet consisted of 154 drilling rigs, an increase of eight drilling rigs from the 146 drilling rigs operated during the majority of 2001. The increase in the number of drilling rigs is a result of the Company's initiative to refurbish and upgrade nine drilling rigs in 2001. Such initiative was undertaken in response to market demand for equipment utilizing the latest drilling technology. By the end of January 2002, this program was complete and resulted in eight re-engineered drilling rigs (four Automated Drill Rig (ADR™) singles, two doubles and two triples) for use in Canada and one re-engineered double drilling rig for use in the United States. At present, the Company is reviewing the status of seven older style drilling rigs, which will require major investment to modernize. The economics associated with such required investment are being evaluated relative to the costs to re-certify the rigs for the short term. The drilling rigs in question may be decommissioned if market conditions and investment economics do not justify their continued operation.

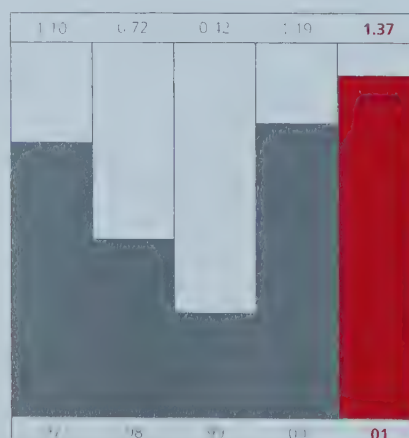
Net Income

(\$ Millions)



Net Income Per Share

(Basic - \$)



Rig Depth Capabilities

Depth (metres)	Ensign	Tri-City	Champion	Total	% of Fleet
0 - 1,000	1	1	3	5	3%
1,001 - 2,000	18	19	19	56	36%
2,001 - 3,000	43	16	10	69	46%
3,001 - 4,000	19	—	—	19	12%
4,001 - 5,000	3	—	—	3	2%
5,001 +	2	—	—	2	1%
Total	86	36	32	154	100%

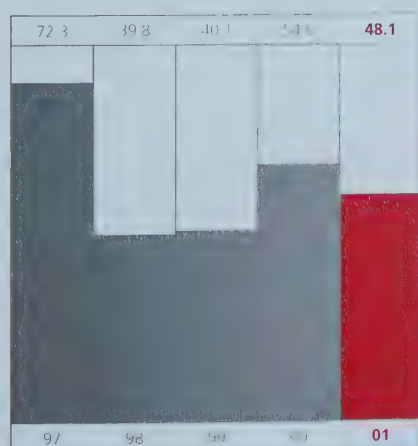
The Company's Canadian drilling rig fleet offers customers both quality and flexibility, and encompasses the complete spectrum of oil and natural gas drilling depths – from approximately 400 metres (1,300 feet) to 6,000 metres (20,000 feet). The drilling rig fleet is highly mobile and allows customers the opportunity to take advantage of horizontal and underbalanced drilling technology, slant drilling, horizontal re-entry of existing wells as well as other technologies. The introduction of the ADR™ concept further enhances the Company's commitment to positioning itself at the forefront in advances in drilling technology.

The Ensign Drilling division is an industry leader in the provision of specialty-drilling services to exploration and production companies. All of the 86 drilling rigs in this division are capable of operating in the horizontal drilling market, including the provision of underbalanced and horizontal re-entry services. During 2001, this division drilled 1,490 wells representing 2.2 million metres compared to 1,700 wells and 2.4 million metres drilled in 2000. Utilization in 2001 was 47.2 percent compared to 51.7 percent in 2000. Of the eight re-engineered drilling rigs recently deployed in the Ensign Group's Canadian drilling fleet, the Ensign Drilling division received five (one ADR™ single, two doubles and two triples).

Tri-City Drilling's fleet of 36 drilling rigs specializes in the drilling of shallow and intermediate depth wells and operates primarily in northern and central Alberta. This division drilled 906 wells and 0.9 million metres during 2001 compared to 1,133 wells and 1.1 million metres drilled in 2000. Tri-City Drilling had

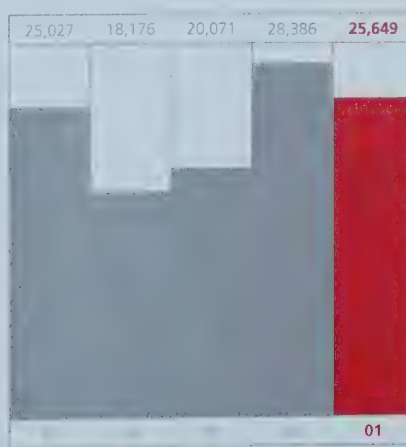
Canadian Drilling

(Rig Utilization – %)



Canadian Drilling

(Operating Days)



a utilization rate of 43.2 percent in 2001, down 12.2 percentage points from 55.4 percent utilization achieved in 2000. In January 2002, Tri-City Drilling increased its fleet by one to 36 drilling rigs with the deployment of a new ADR™ single.

Champion Drilling specializes in the drilling of shallow natural gas wells in the southern Alberta region of the WCSB. In January 2002, Champion expanded its fleet from 30 drilling rigs to 32 drilling rigs with the addition of two new ADR™ singles. During 2001, Champion drilled 2,168 wells comprising 1.7 million metres and had a utilization rate of 56.1 percent. These figures compare to 2,147 wells, 1.7 million metres drilled and a utilization rate of 62.4 percent in 2000.

The Ensign Group's in-house technical and engineering expertise provides the Company with a competitive advantage in its ability to offer customers the expertise needed to drill all types of oil and natural gas wells. Fundamental to the Company's ongoing success as a drilling contractor is its ability to respond quickly to customers' needs. With a varied selection of drilling rigs located across a geographically diverse base, the Ensign Group can provide its customers with a drilling rig that meets their immediate needs from a location situated close to their operations, thereby providing full service coverage in all areas of the WCSB.

During 2001, there were 17,983 wells drilled in the WCSB, representing 19.3 million metres drilled. This is an increase of 1,498 wells, or nine percent, from the 16,485 wells and 17.6 million metres drilled in 2000. In 2001, the Company's Canadian drilling divisions combined to drill 4,564 wells, representing 4.8 million metres, or a 25 percent market share. During 2000, the Company's Canadian drilling divisions combined to drill 4,980 wells and 5.2 million metres, representing a market share of 30 percent. The reduction in market share reflects the significant reduction in drilling activity during the second half of 2001 by some of the Company's more active customers.

The Company's Canadian contract drilling divisions had a combined 25,649 operating days in 2001, a 10 percent decrease compared to 28,386 operating days in 2000. The decrease in operating days in 2001 reflects the substantial and rapid decrease in Canadian oilfield services activity during the second half of 2001 compared to the prior year. The rig utilization rate for the Ensign Group's Canadian drilling divisions reached 48.1 percent in 2001, a decrease of 6.5 percentage points over the 54.6 percent utilization rate achieved in 2000.

With the addition of the eight drilling rigs added to the Canadian fleet as part of the Company's program to refurbish and upgrade a portion of its fleet during 2001, the Ensign Group's Canadian fleet of 154 drilling rigs includes 38 triples, 86 doubles and 30 singles and comprised 23 percent of the 659 total drilling rigs in western Canada as at January 31, 2002.

The outlook for the Ensign Group's Canadian contract drilling business in 2002 is somewhat uncertain. The Canadian Association of Drilling Contractors forecasts 13,609 wells will be drilled in western Canada in 2002, approximately 24 percent less than the number of wells drilled in 2001. Despite the anticipated reduction in activity in 2002, the forecast of 13,609 wells to be drilled in 2002 represents the fourth busiest drilling year ever. The reduction in estimated activity is being driven by the expectation for lower demand for oilfield services resulting from the instability in the North American economy and crude oil and natural gas commodity prices. However, as evidenced by the reduction in oilfield services activity during the second half of 2001, the demand for services can change rapidly.

Well Servicing

The Ensign Group is the third largest well servicing contractor in Canada, providing shallow to deep well servicing to oil and natural gas producers throughout most of the WCSB. During 2001, Ensign's well servicing fleet was reduced by one rig to 126 well servicing rigs, as a rig was decommissioned. The Company also operated 13 coiled tubing units in 2001, unchanged from the prior year.

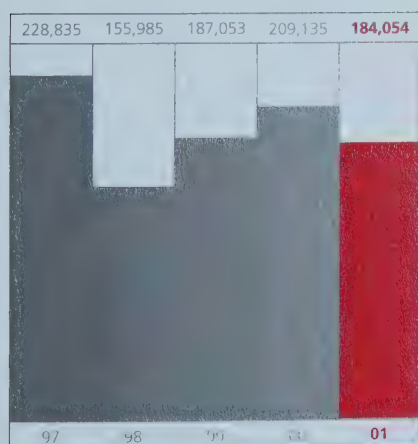
Canadian Rig Classification – Service Rigs

	Ardmore	Brooks	Lloydminster	Estevan	Grande Prairie	Red Deer	Total	% of Fleet
Coiled tubing units	2	9	1	–	1		13	9%
Slant single	10	–	–	–	–		10	7%
Skid single	2	–	–	–	–	4	6	4%
Mobile single	18	15	38	–	5	4	80	
Mobile double	–	1	2	10	2	5	20	
Medium double	–	–	–	–	4	1	5	4%
Heavy double	–	–	–	–	1	4	5	4%
Total	32	25	41	10	13	18	139	100%

The Company's well servicing operations are conducted through the Rockwell Servicing Partnership. Rockwell Servicing offers services in all facets of well servicing, including completions, abandonments, production workovers and bottom-hole pump changes. Coiled tubing units enable Rockwell Servicing to provide customers with an alternative well servicing technology and additional expertise regarding production optimization, cement squeezes, drillouts, new drills, abandonments and the setting of bridge plugs for shallower wells. Although coiled tubing units generally cost more to operate and maintain than conventional well servicing rigs, they are more efficient and mobile and have demonstrated their superiority in certain market niches. With a solid base of expertise in the well servicing industry, Rockwell Servicing is able to consistently provide customers with the best servicing solutions, regardless of the operational challenges.

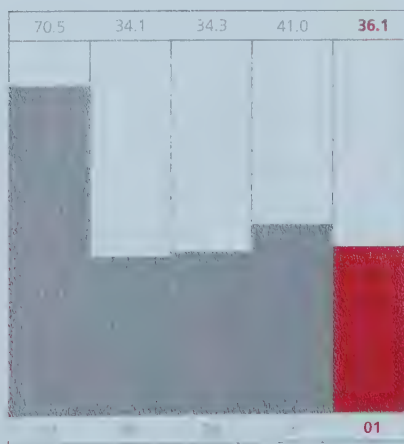
Well Servicing

(Operating Hours)



Well Servicing

(Utilization – %)



At December 31, 2001, Rockwell Servicing operated 126 well servicing rigs and 13 coiled tubing units from operating stations located in Ardmore, Brooks, Grande Prairie, Red Deer and Lloydminster, Alberta and Estevan, Saskatchewan. Overall, the Company's well servicing divisions amassed 184,054 operating hours in 2001, a 12 percent decrease from 209,135 operating hours in 2000.

The decrease in oilfield service activity during the second half of 2001 and the abundance of wet weather during the summer of 2001 translated into reduced demand for the Company's well servicing activities. The most significant reduction in Rockwell Servicing's operations was experienced in the heavy oil producing regions. During the latter part of fiscal 2000, the price differential between heavy and light crude oil widened significantly and resulted in greatly reduced heavy oil activity. In response to this slowdown, Rockwell Servicing re-deployed eight well servicing rigs to other areas of the WCSB. In 2001, the wide price differential between heavy and light crude oil continued to depress activity levels in the heavy oil market. However, the Company is encouraged by the recent improvement in heavy oil prices and anticipates that this improvement will increase demand for oilfield services in the heavy oil regions of the WCSB.

Manufacturing and Production Services

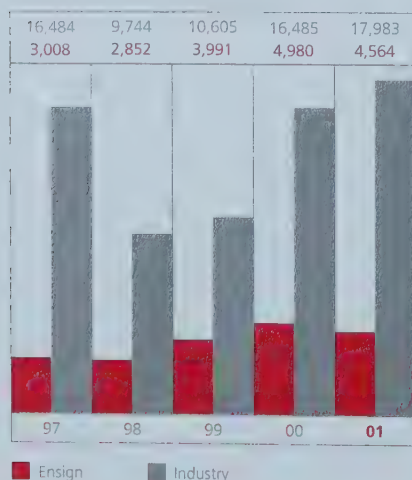
The Ensign Group provides manufacturing and production services to the oilfield service industry through its Opsco Energy Industries division. Opsco is a leading provider of mechanical wireline, production testing and well optimization services in western Canada. In addition, Opsco manufactures customized oil and natural gas production equipment.

Manufacturing

Opsco manufactures a wide range of oil and natural gas production equipment, with an emphasis on the natural gas side of the business, including separation and dehydration equipment, line heaters, production satellites and automatic pig launchers. The 40,000 square foot manufacturing facility, located in Calgary, Alberta, includes engineering, fabrication, sheet metal, sand blasting and paint shops. Custom design and fabrication is the primary area of expertise for Opsco's manufacturing division. Customers are offered unique and site-specific products that command higher prices than traditional line-manufactured items. Opsco is currently investigating the purchase or construction of new manufacturing facilities as part of the Company's efforts to expand and upgrade the efficiency of its manufacturing operations.

Wells Drilled in Canada

(Wells Drilled)



Production Testing

With 41 production testing units and over 30 fully certified crews based throughout Calgary, Grande Prairie, Onoway and Lac La Biche, Alberta, Opsco offers a full range of services from field operations to technical reporting and evaluation services. Opsco supplies the crews, separator and heating equipment for the testing of natural gas and oil wells.

During 2001, the production testing group added two portable and two high-pressure separator units. This new equipment is used to service the high-pressure sour gas testing market, a market previously not serviced by Opsco.

Wireline Services

Opsco's 32 wireline units install and retrieve downhole instrumentation and operate various downhole tools. In early January 2001, Opsco expanded its wireline operations through the acquisition of six slick-line wireline units and five picker units in Grande Prairie and Drayton Valley, Alberta. With the addition of these assets, Opsco now has wireline stations located in Brooks, Red Deer, Sedgewick, Drayton Valley, Grande Prairie, Whitecourt, Edson and Hinton, Alberta; Moose Mountain, Saskatchewan; and Fort St. John, British Columbia.

Underbalanced Drilling Services and Oilfield Rentals

Enhanced Drill Systems, based out of Red Deer, Alberta, was formed in the third quarter of 1999 through the purchase of eight underbalanced drilling systems. These state-of-the-art operating units contain nitrogen generation and compression equipment and surface control systems, which eliminate the need for nitrogen delivery to the well site. During 2000, this division constructed two new underbalanced drilling packages and had two additional packages under construction at year end. These were put into service during the first quarter of 2001 and bring the total number of underbalanced drilling packages the Company owns and operates to 12.

During the fourth quarter of 2001, the Company reorganized the Enhanced Drill Systems assets held in Opsco into a partnership along with the rental assets previously held in Ensign Drilling. The new structure allows the Ensign Group to more effectively align the underbalanced drilling operations with the management of the Canadian contract drilling operations as well as provide a more proactive platform regarding the Ensign Group's rental operations.

United States Oilfield Services

The Ensign Group, through its ownership of Caza Drilling Inc., is the second largest, and for the last two years the most active, drilling contractor in the Rocky Mountain region of the United States. This area of the United States contains a number of oil and natural gas basins, but is primarily known for natural gas production. In addition to the contract drilling operations in the Rocky Mountain region, the Ensign Group, through its ownership of Caza Drilling (California) Inc., has contract drilling operations located primarily in the San Joaquin basin of California.

Rig Depth Capabilities

Depth (metres)	Caza Rockies	Caza California	Total	% of Fleet
0 – 1,000	—	3	3	4%
1,001 – 2,000	1	4	5	7%
2,001 – 3,000	25	5	30	44%
3,001 – 4,000	20	5	25	36%
4,001 – 5,000	6	—	6	9%
Total	52	17	69	100%

Caza Drilling Inc.

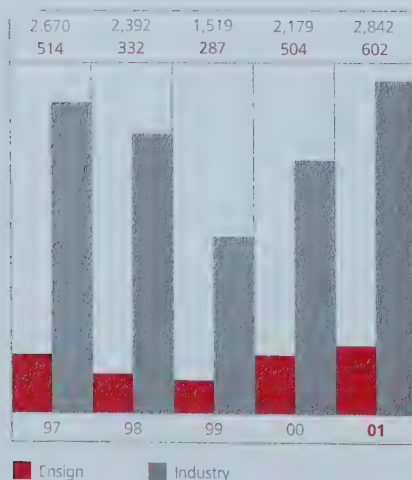
Caza Drilling Inc. (Caza Rockies), with its headquarters in Denver, Colorado, owns 52 out of a total of approximately 200 drilling rigs currently available in the Rocky Mountain region of the United States. Caza Rockies currently markets 38 of its 52 rigs as demand and crew availability have been limited in recent years. In November 2001, Caza Rockies expanded its fleet through the addition of one re-engineered drilling rig added pursuant to a long-term contract with a major customer.

This division continues to build its reputation for operational capability and safety. Caza Rockies leverages superior technical knowledge of the Rocky Mountain region to complete projects on a well “footage” or “turnkey” basis. The expertise and quality of the crews enables this division to take advantage of the margins afforded by performance drilling contracts, which if successful can be more profitable than services provided on a “day rate” basis.

In fiscal 2000, the fundamentals associated with the demand for drilling services in the United States Rocky Mountain region improved dramatically from the all-time low activity experienced during the previous year. These strong fundamentals continued into 2001 and resulted in a healthy demand for drilling services throughout most of the year. During 2001, Caza Rockies drilled 602 wells, comprising 5.0 million feet (1.5 million metres) compared to 504 wells and 4.2 million feet (1.3 million metres) in 2000. Caza Rockies’ drilling rig utilization was 69.8 percent in 2001 compared to 55.8 percent in 2000, an increase of 14 percentage points.

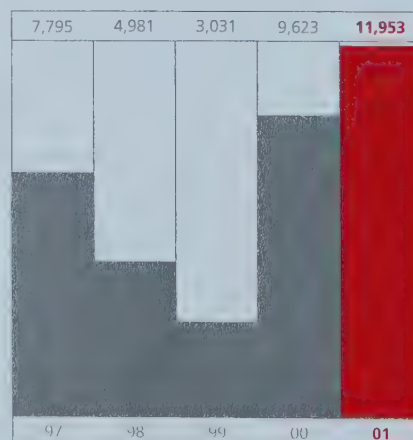
Wells Drilled in Rocky Mountain Region

(Wells)



U.S. Drilling

(Operating Days)



Caza Drilling (California) Inc.

Caza Drilling (California) Inc. (Caza California), with its 17 drilling rigs, of which 12 drilling rigs are actively marketed, operates primarily in the heavy oil market of the San Joaquin basin in California. As in Canada, heavy oil activity in the United States during 2001 continued to be depressed as wide price differentials between light and heavy crude oil continued to exert downward pressure on the demand for drilling services. Caza California had a utilization rate of 57.3 percent, based on 12 marketed drilling rigs for the year ended December 31, 2001, compared to 59.8 percent utilization achieved for the eight and one-half months in 2000 in which the Ensign Group owned Caza California. Caza California drilled 272 wells comprising 1.0 million feet (0.3 million metres) during 2001 compared to 560 wells, comprising 1.2 million feet (0.4 million metres) in 2000.

Financial Results

(all tabular amounts are in millions of dollars, unless otherwise indicated)

Revenue and Oilfield Services Expenses

	2001	2000
Revenue	\$ 767.7	\$ 672.0
Oilfield services expenses	(546.4)	(400.0)
	\$ 221.3	\$ 272.0
Gross margin	28.8%	27.7%

For the year ended December 31, 2001, revenue increased \$95.7 million, or 14 percent, to \$767.7 million. The impact on 2001 revenue resulting from improvements in the Ensign Group's equipment utilization in the United States were almost entirely nullified by the reduction in equipment utilization from the Company's Canadian operations. Increased revenue rates from the prior year and the completion of three re-engineered drilling rigs by the end of December 2001, as well as the expansion of the Company's wireline and underbalanced drilling operations resulted in a significant increase in revenue on a year-over-year basis. Improved demand for wireline, production testing and oilfield equipment manufacturing services, the success of the Company's underbalanced drilling services division and the inclusion of results for Caza California for a full year in 2001, further increased revenues compared to the prior year.

The gross margin earned on revenues increased 1.1 percentage points from 27.7 percent in 2000 to 28.8 percent in the 2001 fiscal year. The increase in gross margin can be directly attributed to the strength in revenue rates during the first six months of 2001 and management's continual efforts to control costs. The strength of crude oil and natural gas commodity prices during the first half of 2001 resulted in strong demand for the services provided by the Ensign Group and a corresponding upward pressure on revenue rates. The average revenue rates for the Company's Canadian drilling operations increased 12 percent compared to 2000. Revenue rates in the Company's United States operations also benefited from the increase in demand for drilling services during the first half of 2001 and increased 17 percent compared to 2000. Average revenue rates for the Company's well servicing operations increased 12 percent during 2001 compared to the prior year. Strong pricing during the first half of the year was offset by weaker prices in the second half as the softening of crude oil and natural gas prices reduced industry activity levels, which resulted in significant downward pressure on revenue rates.

There were several factors that offset the increase in revenue rates, thereby limiting the increase in gross margin in 2001 compared to the prior year. In response to the shortage of experienced labour needed to meet increased demand for oilfield services, crew wages were increased significantly compared to the prior year. Increased activity levels in the oilfield services industry also resulted in general increases in the cost of other operating supplies and services. Additionally, the Company's proportion of United States generated revenues increased from 21.5 percent in 2000 to 28.8 percent in 2001. Gross margins in the United States are typically lower than those earned in the Company's Canadian operations and therefore effectively reduced the Ensign Group's overall margin in the 2001 fiscal year.

Equipment maintenance expenses continue to represent a significant operating cost for the Company. The Ensign Group continues to maintain its equipment to the highest industry standards, but is careful that maintenance expenditures are restricted to equipment that is operating, or is scheduled to operate in the near future. This discipline is especially important when heading into a period of reduced activity. This sound strategy ensures that funds are not spent maintaining equipment with a low probability of working in the short term, and helps limit the impact of decreasing utilization and revenue rates in a reduced activity environment due to lower commodity prices.

The Ensign Group maintains complete rig packages and does not cannibalize equipment during periods of reduced activity. This strategy strengthens the Company's position and allows it to maximize the impact of increased industry activity on operating results.

Depreciation Expense

	2001	2000	Change	Percent
Depreciation	\$ 29.2	\$ 26.5	\$ 2.7	10

Depreciation expense for 2001 increased 10 percent, or \$2.7 million, to \$29.2 million. The increase arises as a result of the increased asset base of the Ensign Group for 2001 compared to 2000. Net capital expenditures totaled \$71.1 million in 2001. During 2001, the Ensign Group acquired additional wireline and production testing assets. Also, the two underbalanced drilling packages that were under

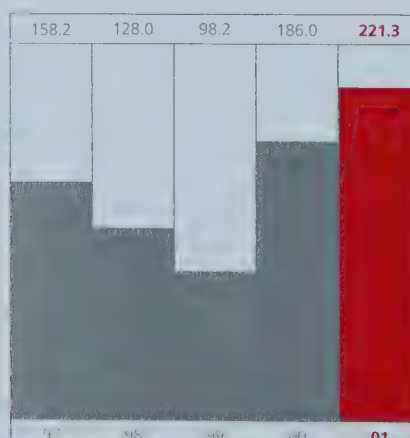
Revenue

(\$ Millions)



Gross Margin

(\$ Millions)



construction at the end of 2000 were completed during the first quarter of 2001, and the five drilling rigs acquired in the fourth quarter of 2000 were depreciated for a full year in 2001. The Company's program to add nine re-engineered drilling rigs into the fleet resulted in three additional drilling rigs by December 31, 2001. The remaining six drilling rigs were completed during January 2002. Depreciation expense for 2002 will reflect the addition of these rigs.

General and Administrative Expenses

	2001	2000	Change	Percent
General and administrative	\$ 26.2	\$ 26.9	\$ (0.7)	(3)

General and administrative expenses decreased three percent from \$26.9 million (4.0 percent of revenue) in 2000 to \$26.2 million (3.4 percent of revenue) in 2001. The decrease is primarily related to the year-over-year decrease in expense relating to the Company's stock appreciation rights (SAR) program. Under the Company's SAR program, a portion of senior management's compensation is tied to the Company's common share performance during the year. The market price of the Company's common shares decreased on a post-split basis from \$18.50 per share at December 31, 2000 to \$13.35 at December 31, 2001, resulting in the year-over-year decrease in SAR expense. The decrease in SAR expense for 2001 was substantially offset by increased costs in Caza Rockies as well as additional costs associated with general wage increases implemented across the whole Ensign Group. The increase in general and administrative expense in Caza Rockies relates primarily to the increase in staff levels in response to heightened activity levels. The Ensign Group remains diligent in its efforts to maintain a low fixed cost structure and compares favorably with its peers in the industry. The Company believes that a cyclical industry demands low fixed costs in order to ensure long-term profitability.

Interest Expense

	2001	2000	Change	Percent
Interest on long-term debt	\$ 0.7	\$ 2.3	\$ (1.6)	(70)
Interest – other	0.4	1.2	(0.8)	(67)
	\$ 1.1	\$ 3.5	\$ (2.4)	(69)

Total interest expense decreased 69 percent to \$1.1 million for 2001 compared to \$3.5 million for 2000. Interest on long-term debt decreased \$1.6 million, or 70 percent, to \$0.7 million, as the debt outstanding on the Company's term facility was reduced by \$15.0 million in January 2001 through a scheduled principal repayment. In January 2002, the Company repaid the remaining balance under its long-term debt facility. Consequently, the Company is currently debt free.

Operating interest decreased \$0.8 million as a result of the improvement in the Company's cash position throughout most of 2001 compared to the prior year. In fiscal 2000, the Company had short-term financing requirements associated with the acquisition of Caza California as well as with preparing for the increase in industry activity in the fourth quarter of 2000. In 2001, expenditures related to the rig building program and costs associated with preparing for the 2001/2002 winter drilling season were funded through existing working capital.

Income Taxes

	2001	2000	Change	Percent
Current income tax	\$ 61.9	\$ 49.6	\$ 12.3	25
Future income tax	2.1	(7.6)	9.7	128
	\$ 64.0	\$ 42.0	\$ 22.0	52
Effective rate	38.8%	32.6%		

Income taxes increased 52 percent to \$64.0 million in 2001 from \$42.0 million in 2000. Current income taxes increased 25 percent to \$61.9 million from \$49.6 million and reflect the increase in pre-tax income in 2001 compared to the prior year as well as the timing of tax deductions associated with the Company's partnerships. Future income tax expense was \$2.1 million for 2001 compared to a recovery of \$7.6 million for 2000. The future income tax provision for 2000 included the benefit associated with the seven-percent Canadian federal income tax rate reduction enacted during the fourth quarter of 2000 in respect of future years. For fiscal 2001, a corresponding federal income tax reduction does not exist, although the Alberta provincial income tax rate was reduced two percentage points effective April 1, 2001. As a result of the substantial reduction in the Canadian federal income tax rate in 2000, the effective tax rate for the year ended December 31, 2000 of 32.6 percent was 6.2 percentage points lower than the 38.8 percent effective rate in 2001.

Dividends

	2001	2000	Change	Percent
Dividends	\$ 14.5	\$ 12.5	\$ 2.0	16

The Ensign Group declared dividends on common shares totaling \$14.5 million (\$0.1967 per share) in 2001 compared to \$12.5 million (\$0.1717 per share) in 2000, an increase in the dividend rate of 15 percent. On March 7, 2002, Ensign declared a \$3.7 million dividend (\$0.05 per share) payable on April 1, 2002 to shareholders of record at March 20, 2002. The dividends paid by the Company are determined based on the current level of profitability and are subject to the ongoing financial needs of the Ensign Group.

Financial Condition and Liquidity

Working Capital and Cash Provided by Operations

Cash provided by operating activities in 2001 increased 25 percent to \$132.1 million (\$1.79 per share) from \$105.9 million (\$1.45 per share) in 2000 as a result of the increase in pre-tax income on a year-over-year basis. Working capital at December 31, 2001 of \$86.5 million increased \$34.7 million from \$51.8 million at December 31, 2000. The reduction in activity during the fourth quarter of 2001 compared to the fourth quarter of 2000 resulted in substantial decreases in year-end accounts receivable and accounts payable. The increase in year-end working capital is primarily a result of a significantly improved cash position and the reduction in the operating line of credit from \$4.5 million at December 31, 2000 to \$0.5 million at December 31, 2001. Included in December 31, 2001 working capital is \$49.3 million of cash compared to \$10.7 million at December 31, 2000.

Investing Activities

During fiscal 2001, the Ensign Group had net capital additions of \$71.1 million compared to \$72.3 million (including \$26.5 million for the acquisition of Caza California) in 2000. Major expenditures during 2001 included costs associated with the construction and refurbishment of eight drilling rigs in Canada and one drilling rig in the United States, the acquisition of the slick-line wireline assets located in Drayton Valley and Grande Prairie, Alberta and the costs associated with the construction of two underbalanced drilling packages. Major asset acquisitions during 2000 include the acquisition of five drilling rigs for use in Canada, five drilling rigs for use in the United States, the construction of one well servicing rig, the acquisition of slick-line wireline located in Rainbow Lake, Alberta and the aforementioned acquisition of Caza California

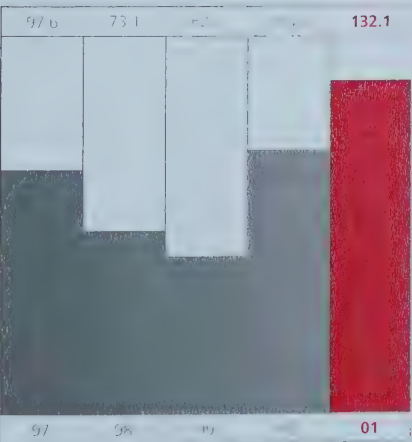
Financing Activities

At December 31, 2001, the Company had utilized \$0.5 million of an available \$48.0 million of its Canadian operating facility and had not utilized any of an available U.S. \$6.0 million of its operating facility in the United States. This is a decrease of \$4.0 million from the \$4.5 million utilized at the end of December 2000. Utilized operating lines were higher at December 31, 2000 than at December 31, 2001 because of higher fourth quarter operating activities in 2000 as well as the financing requirements associated with the acquisition of five drilling rigs in Canada in October 2000. For 2001, the majority of the financing requirements associated with preparing for the winter drilling season and the costs of the Company's rig re-engineering program were funded from existing working capital, which had built up throughout the course of the year.

Long-term debt, including the current portion, was \$15.0 million at December 31, 2001 compared to \$29.9 million at December 31, 2000. The reduction of \$14.9 million was made in January 2001. In January 2002, the Company repaid the final \$15.0 million outstanding on its term facility, making the Ensign Group debt free. Due to the Company's strong balance sheet, as a result of it being debt free, the Ensign Group has substantial financial flexibility in pursuing future growth opportunities.

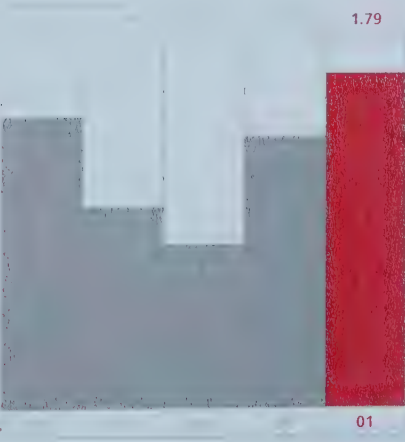
Cash Flow

(\$ Millions)



Cash Flow Per Share

(Basic - \$)



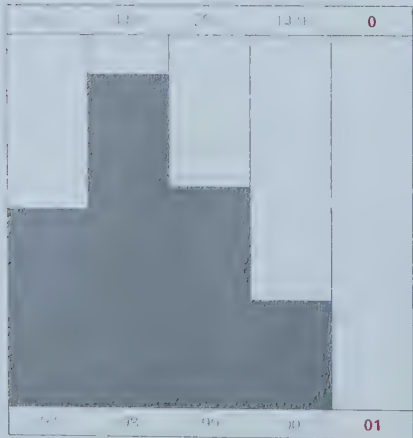
At the Company's Annual and Special Meeting of Shareholders held May 23, 2001, shareholders approved a three-for-one stock split of the Company's common shares. The number of outstanding common shares was increased from approximately 24.5 million to approximately 73.6 million as a result of the stock split. During 2001, the Company issued 567,611 post-split common shares for proceeds of \$3.1 million related to the exercise of employee stock options. In 2000, the Company received \$6.1 million in proceeds relating to the Company's employee stock option plan.

Risks and Uncertainties

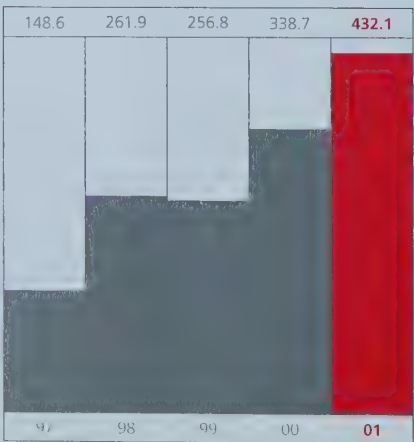
The Ensign Group derives its revenue by providing oilfield services to crude oil and natural gas exploration and production companies in North America. The demand for the services provided by the Ensign Group is directly related to the operational and financial strength of the Company's customers. The exploration and development budgets of the Ensign Group's customers are directly affected by fluctuating oil and natural gas prices.

Lower commodity prices have a direct impact on customers' ability to generate cash flow, which in turn impacts the demand these customers have for the services provided by the Ensign Group. Factors that impact the price of crude oil and natural gas are beyond the control of the Ensign Group, and therefore represent an area of significant uncertainty for the Company. In addition, fluctuating commodity prices can have a negative impact on customers' ability to discharge their obligations through normal business operations. The Ensign Group has been very proactive in its approach to credit management and has devoted significant resources to the implementation of policies and procedures to mitigate credit risk.

**Long-Term Debt,
Net of Current Portion**
(\$ Millions)



Shareholders' Equity
(\$ Millions)



The Ensign Group is faced with a number of other uncertainties during the normal course of its day-to-day operations. The Company operates in an industry that is subject to legislation governing environmental and safety matters, and to unpredictable and uncontrollable weather patterns which can affect the ability of the Company to provide contracted services in remote locations. In addition, the Company is exposed to fluctuations in the Canadian/United States currency exchange rate and interest rates. The Ensign Group continually monitors all areas of risk to ensure that its exposure to these risks falls within acceptable parameters as determined by management.

The Ensign Group carries adequate levels of insurance to protect the Company in the unlikely event of the destruction of or damage to its property and equipment. Public liability insurance is also maintained at prudent levels to limit exposure in the event of unforeseen incidents. A comprehensive review of the Company's insurance coverage is completed periodically to ensure that the risk of loss is maintained within acceptable levels.

Outlook

Oilfield services activity during the first quarter of 2002 is down compared to the first quarter of 2001. This relative weakness is expected to continue through the second and third quarters of 2002 with conditions not expected to improve before the fourth quarter of 2002. As the North American economy continues to recover and demand for crude oil and natural gas increases, demand for oilfield services is also expected to increase to offset the reduction in crude oil and natural gas production and reserves which have occurred due to current reduced levels of oilfield activity. The Ensign Group is well positioned to withstand such a period of reduced industry activity in 2002 as it is in the enviable position of having no long-term debt. The Company's strong balance sheet will not only enable the Company to sustain any prolonged downturn in industry activity, but also to take advantage of expansion opportunities as they arise.

On March 14, 2002, the Company announced its intention to file an unsolicited take-over offer for all the issued and outstanding common shares of Australian Oil & Gas Corporation Limited (AOG). The acquisition of AOG, if successful, will be financed from existing cash resources and available operating facilities. AOG would provide the Company with a platform for future growth in the international oilfield services industry.

Management's Report

The consolidated financial statements and other information contained in the annual report are the responsibility of the management of the Company. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles consistently applied, using management's best estimates and judgements, where appropriate.

Preparation of financial statements is an integral part of management's broader responsibilities for the ongoing operations of the Company. Management maintains a system of internal accounting controls to ensure that properly approved transactions are accurately recorded on a timely basis and result in reliable financial statements. The Company's external auditors are appointed by the shareholders. They independently perform the necessary tests of the Company's accounting records and procedures to enable them to express an opinion as to the fairness of the consolidated financial statements, in conformity with Canadian generally accepted accounting principles.

The Audit Committee, which is comprised of outside Directors, meets with management and the Company's external auditors to review the financial statements and reports on them to the Board of Directors. The consolidated financial statements have been approved by the Board of Directors.



Selby Porter
President
March 8, 2002



Glenn Dagenais
Vice President Finance and Chief Financial Officer

Auditors' Report

To the Shareholders of Ensign Resource Service Group Inc.

We have audited the consolidated balance sheets of Ensign Resource Service Group Inc. as at December 31, 2001 and 2000 and the consolidated statements of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
March 8, 2002

Consolidated Balance Sheets

As at December 31 (in thousands of dollars)

2001

2000

Assets

Current assets

Cash	\$ 49,273	\$ 10,722
Accounts receivable	132,140	177,441
Inventory and other	28,310	31,899

209,723 220,062

Property and equipment (note 3)

432,637 385,636

Other – at cost

674 928

\$ 643,034 \$ 606,626

Liabilities

Current liabilities

Accounts payable and accrued liabilities	\$ 88,982	\$ 116,364
Dividends payable	3,691	3,418
Income taxes payable	15,119	28,963
Operating line of credit (note 4)	485	4,500
Current portion of long-term debt (note 4)	14,958	15,000

123,235 168,245

Long-term debt – net of current portion (note 4)

– 14,938

Future income taxes (note 5)

87,740 84,789

210,975 267,972

Shareholders' Equity

Capital stock (note 6)	109,720	106,668
Cumulative translation adjustment	5,343	1,321
Retained earnings	316,996	230,665
	432,059	338,654
	\$ 643,034	\$ 606,626

Approved by the Board of Directors



N. Murray Edwards
Director



Selby Porter
Director

Consolidated Statements of Income and Retained Earnings

For the years ended December 31

(in thousands of dollars – except per share data)

2001

2000

Revenue

Oilfield services	\$ 767,669	\$ 672,041
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Expenses

Oilfield services	546,350	486,024
Depreciation	29,184	26,525
General and administrative	26,243	26,940
Interest on long-term debt	682	2,292
Interest and other	423	1,221
	602,882	543,002

Income before income taxes	164,787	129,039
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Income taxes (note 5)

Current	61,884	49,661
Future	2,075	(7,621)
	63,959	42,040

Net income for the year	100,828	86,999
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Retained earnings – beginning of year	230,665	156,184
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Dividends	(14,497)	(12,518)
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Retained earnings – end of year	\$ 316,996	\$ 230,665
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Net income per share (note 6)

Basic	\$ 1.37	\$ 1.19
Diluted	\$ 1.34	\$ 1.17

Consolidated Statements of Cash Flows

For the years ended December 31

(in thousands of dollars – except per share data)

	2001	2000
Cash provided by (used in)		
Operating activities		
Net income for the year	\$ 100,828	\$ 86,999
Items not affecting cash		
Depreciation	29,184	26,525
Future income taxes	2,075	(7,621)
Cash provided by operating activities before the change		
in non-cash working capital	132,087	105,903
Decrease (increase) in non-cash working capital	3,922	(18,995)
	136,009	86,908
Investing activities		
Acquisition (note 7)	–	(26,518)
Net purchase of property and equipment	(71,133)	(45,826)
Other	100	(39)
	(71,033)	(72,383)
Financing activities		
Net decrease in long-term debt	(14,980)	(14,896)
Issue of capital stock	3,052	6,083
Dividends	(14,497)	(12,518)
	(26,425)	(21,331)
Increase (decrease) in cash during the year	38,551	(6,806)
Cash – beginning of year	10,722	17,528
Cash – end of year	\$ 49,273	\$ 10,722
Cash flow per share (note 6)		
Basic	\$ 1.79	\$ 1.45
Diluted	\$ 1.76	\$ 1.42
Interest paid during the year	\$ 1,720	\$ 2,463
Income taxes paid during the year	\$ 74,602	\$ 18,412

For the purpose of the cash flow per share calculations, cash flow is defined as "Cash provided by operating activities before the change in non-cash working capital".

Notes to the Consolidated Financial Statements

(in thousands of dollars – except per share data)

1 Basis of consolidation

The accompanying consolidated financial statements include the accounts of Ensign Resource Service Group Inc. and all of its wholly owned subsidiaries and partnerships. The companies and partnerships carry on the business of providing oilfield services to the oil and natural gas industry.

2 Significant accounting policies

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term market investments with maturities of three months or less.

Inventory

Inventory, comprised of drill pipe, spare rig parts and equipment, is recorded at the lower of cost and replacement cost.

Property and equipment

Property and equipment are recorded at cost. Depreciation is based on the estimated useful lives of the assets as follows:

Rigs and related equipment	15 years (residual 20%)	Straight-line
Buildings	20 years	Straight-line
Automotive equipment	3 – 15 years (residual 15%)	Straight-line
Office furniture and shop equipment	5 years	Straight-line

Income from contracts

Income from contracts is recorded using the percentage of completion method. Losses are provided for in full when first determined.

Foreign currency translation

Financial statements of the Company's self-sustaining United States operations are translated to Canadian dollars using the exchange rate in effect at the balance sheet date for all assets and liabilities, and at average rates of exchange during the period for revenues and expenses.

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the financial statements and their respective tax bases, using enacted income tax rates. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs.

Stock-based compensation plans

The Company has an employee stock option plan and a stock appreciation rights plan. No compensation expense is recognized for these plans when options or stock appreciation rights are granted. Any consideration received on the exercise of stock options is credited to capital stock. When stock appreciation rights vest, compensation expense is recorded based on the difference between the market price of the Company's common shares at the time and the grant price. Any liability relating to exercisable stock appreciation rights is adjusted on a quarterly basis to account for the change in market price for the Company's common shares.

Measurement uncertainty

The preparation of the Company's consolidated financial statements in conformity with Canadian generally accepted accounting policies requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expense during the reporting periods presented. Actual results could differ from the estimates.

3 Property and equipment

	2001	2000
Land and buildings	\$ 6,466	\$ 6,522
Rigs and related equipment	567,803	501,236
Automotive and other equipment	33,488	22,460
	607,757	530,307
Accumulated depreciation	(175,120)	(144,671)
	\$ 432,637	\$ 385,636

4 Long-term debt

	2001	2000
Bank term loan, at prime or bankers' acceptance rate plus 0.800% stamping fee	\$ 14,958	\$ 29,938
Current portion	(14,958)	(15,000)
	\$ —	\$ 14,938

At December 31, 2001, the Company had available operating lines of credit, at the bank prime interest rate or bankers' acceptance rate plus 0.625% stamping fee, totalling \$48,000 (2000 – \$48,000) of which \$485 (2000 – \$700) was utilized at year-end. The Company also has an available operating credit facility in the United States in the amount of U.S. \$6,000 (2000 – U.S. \$8,000), of which NIL (2000 – U.S. \$2,534) was utilized at December 31, 2001. The United States facility is, at the discretion of management, at the bank prime interest rate or LIBOR plus 150 basis points.

Collateral for the bank term loan and the operating line of credit consists of a general security agreement, including a floating charge on certain assets and an assignment of insurance on certain property and equipment.

In January 2002, the Company repaid the \$14,958 current portion of long-term debt outstanding at December 31, 2001.

5 Income taxes

The provision for future income taxes arises from temporary differences in the recognition of revenues and expenses for income tax and accounting purposes. The temporary differences comprising the future income tax liability as at December 31, 2001 and 2000 are as follows:

	2001	2000
Property and equipment	\$ 228,050	\$ 229,045
Non-capital tax losses	(5,764)	(8,987)
Timing of partnership items	22,974	8,124
Other	(4,876)	(5,052)
	\$ 240,384	\$ 223,130
Future income taxes at expected tax rate	\$ 87,740	\$ 84,789

The provision for income tax, including future income taxes, differs from the expected combined federal and provincial taxes as follows:

	2001	2000
Income before income taxes	\$ 164,787	\$ 129,039
Income tax rate	42%	45%
Expected income tax provision	69,211	58,068
Increase (decrease) resulting from:		
Rate reduction on future income	(4,296)	(15,620)
U.S. – lower effective tax rate	(442)	(750)
Non-deductible expenses	196	192
Other	(710)	150
	\$ 63,959	\$ 42,040
Effective tax rate	38.8%	32.6%

6 Capital stock

a) Authorized

Unlimited common shares

Unlimited preferred shares, issuable in series

b) Outstanding

	2001		2000	
	Number of Shares	Amount	Number of Shares	Amount
Common shares				
Balance – beginning of year	24,417,965	\$ 106,668	24,013,665	\$ 100,585
Issued under employee stock option plan – pre-stock split	131,971	2,249	404,300	6,083
Adjustment for 3-for-1 stock split	49,099,872	–	–	–
Issued under employee stock option plan – post-stock split	171,698	803	–	–
Balance – end of year	73,821,506	\$ 109,720	24,417,965	\$ 106,668

c) Options

The Company may grant options to its employees for up to 7,032,157 common shares. The exercise price equals the market price of the Company's common shares on the date of granting. Stock options granted vest evenly over a period of five years. A summary of the status of the Company's stock option plan as of December 31, 2001 and 2000, and the changes during the years ended on those dates is presented below:

	2001		2000	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding – beginning of year	1,088,562	\$ 23.54	1,129,379	\$ 17.44
Granted – pre-stock split	475,500	48.35	400,000	32.75
Exercised for shares – pre-stock split	(131,971)	17.04	(404,300)	15.05
Exercised for cash – pre-stock split	(6,450)	32.75	–	–
Forfeited – pre-stock split	–	–	(36,517)	29.85
Adjustment for 3-for-1 stock split	2,851,282	–	–	–
Exercised for shares – post-stock split	(171,698)	4.67	–	–
Exercised for cash – post-stock split	(4,500)	10.92	–	–
Forfeited – post-stock split	(219,498)	10.75	–	–
Outstanding – end of year	3,881,227	\$ 11.06	1,088,562	\$ 23.54
Exercisable at December 31	666,727	\$ 7.76	142,062	\$ 20.15

Exercise Price	Options Outstanding			Options Exercisable	
	Options Outstanding	Average Vesting Remaining (In Years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
\$4.67 to \$6.33	1,003,450	1.13	\$ 4.88	328,900	\$ 4.96
\$9.17 to \$10.92	1,440,066	1.97	\$ 10.57	284,166	\$ 10.22
\$11.58 to \$16.12	1,437,711	2.85	\$ 15.87	53,661	\$ 11.89
	3,881,227	2.08	\$ 11.06	666,727	\$ 7.76

d) Common share dividends

During 2001, the Company declared dividends of \$14,497 (2000 – \$12,518), being \$0.1967 per common share (2000 restated – \$0.1717). A quarterly dividend of \$3.7 million, being \$0.05 per common share, was declared on March 7, 2002 for payment on April 1, 2002 to all shareholders of record as of March 20, 2002.

e) Net income per share and cash flow per share

Net income per share and cash flow per share have been calculated on the basis of the weighted average number of common shares outstanding for the year, which amounted to 73,673,402 shares (2000 restated – 72,819,858 shares). Diluted net income per share and diluted cash flow per share have been calculated, assuming the exercise of stock options, resulting in an average number of common shares of 75,044,037 shares (2000 restated – 74,346,204 shares).

f) Stock appreciation rights

The Company has a stock appreciation rights plan for certain senior executives. Compensation expense is an estimated amount, based on the exercisable portion of outstanding stock appreciation rights and the market performance of the Company's common shares, and is therefore subject to measurement uncertainty. At December 31, 2001, 1,113,000 (2000 restated – 1,437,000) stock appreciation rights were outstanding, of which 462,000 (2000 restated – 459,000) were exercisable at an average price of \$6.84 (2000 restated – \$5.54) each. The Company has accrued a liability of \$2,611 (2000 – \$4,785) relating to exercisable stock appreciation rights as at December 31, 2001.

7 Acquisition

During 2000, the Company completed the acquisition of all the issued and outstanding shares of Gary Drilling Company. In February 2001, Gary Drilling Company changed its name to Caza Drilling (California) Inc. (Caza California). Caza California provides contract-drilling services in the San Joaquin basin of California. This acquisition has been accounted for by the purchase method with the results of operations of Caza California included in the consolidated financial statements from April 13, 2000, the date of acquisition. The details of the acquisition are as follows:

Net assets acquired at assigned values

Working capital, excluding cash	\$	1,873
Property and equipment		28,008
Future income taxes		(3,363)
	\$	26,518

Consideration

Cash	\$	26,518
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8 Segmented information

The Company operates in two geographic segments within one industry segment. Oilfield services are provided in both Canada and the United States. The amounts related to each segment are as follows:

	2001		
	Canadian Oilfield Services	United States Oilfield Services	Total
Revenue	\$ 546,489	\$ 221,180	\$ 767,669
Property and equipment – net	\$ 374,996	\$ 57,641	\$ 432,637

	2000		
	Canadian Oilfield Services	United States Oilfield Services	Total
Revenue	\$ 527,399	\$ 144,642	\$ 672,041
Property and equipment – net	\$ 333,611	\$ 52,025	\$ 385,636

9 Financial instruments

The Company's financial instruments as at December 31, 2001 included cash, accounts receivable, accounts payable and accrued liabilities, dividends payable, income taxes payable, and the operating line of credit. Due to the current nature of these items, carrying amounts are considered to approximate fair value.

Also, the Company's financial instruments as at December 31, 2001 included long-term debt. All of this debt is floating at the prime rate and, accordingly, the carrying amount is considered to approximate fair value.

The Company is exposed to credit risk in relation to its accounts receivable at December 31, 2001. As substantially all of the Company's customers are relatively well financed and established oil and natural gas companies, the level of credit risk is considered by management to be minimal.

10 Prior year amounts

Certain prior year amounts have been reclassified to conform to the current year's presentation.

Selected Financial Data

10 Year Financial Information

(\$000s, except per share data and ratios)	2001	2000	1999
Revenue	767,669	672,041	372,322
Gross margin	221,319	186,017	98,240
Gross margin % of revenue	28.8%	27.7%	26.4%
Depreciation	29,184	26,525	22,733
Net income	100,828	86,999	29,837
Net income per share			
Basic	1.37	1.19	0.42
Diluted	1.34	1.17	0.41
Cash flow	132,087	105,903	62,526
Cash flow per share			
Basic	1.79	1.45	0.88
Diluted	1.76	1.42	0.86
Net capital expenditures – excluding acquisitions	71,133	45,826	45,380
Working capital (deficit)	86,488	51,817	37,755
Long-term debt, net of current portion	–	14,938	29,805
Shareholders' equity	432,059	338,654	257,168
Long-term debt to equity	0.00:1	0.04:1	0.12:1
Weighted average common shares outstanding	73,673,402	72,819,858	71,251,287
Closing share price, December 31	13.35	18.50	11.17

All per share data and the weighted average common shares outstanding have been restated to reflect the 3-for-1 stock split effective May 31, 2001.

Quarterly Financial Information

Quarter ended (unaudited)	2001				2000			
(\$000s, except per share data)	Dec 31	Sept 30	Jun 30	Mar 31	Dec 31	Sept 30	Jun 30	Mar 31
Revenue	151,047	182,867	157,354	276,401	205,833	155,299	119,614	191,295
Net income	16,502	23,020	16,047	45,259	38,104	15,069	7,225	26,601
Net income per share								
Basic	0.22	0.32	0.22	0.62	0.52	0.21	0.10	0.37
Diluted	0.22	0.30	0.21	0.60	0.51	0.20	0.10	0.35
Cash flow	21,563	32,907	21,500	56,117	31,373	23,748	14,872	35,910
Cash flow per share								
Basic	0.29	0.45	0.29	0.76	0.43	0.32	0.20	0.50
Diluted	0.29	0.43	0.29	0.75	0.43	0.32	0.20	0.47

Per share information has been restated to reflect the 3-for-1 stock split effective May 31, 2001.

1998	1997	1996	1995	1994	1993	1992
418,919	517,500	245,429	180,665	174,940	92,715	41,341
127,999	158,240	67,907	46,216	46,606	18,886	8,647
30.6%	30.6%	27.7%	25.6%	26.6%	20.4%	20.9%
20,516	12,493	6,430	4,964	3,412	2,213	1,407
48,790	68,035	25,828	17,148	19,165	8,258	3,438
0.72	1.10	0.42	0.30	0.35	0.16	0.08
0.71	1.08	0.42	0.29	0.32	0.14	0.07
73,053	96,716	38,176	25,895	25,703	13,552	4,709
1.08	1.56	0.63	0.45	0.48	0.27	0.11
1.05	1.52	0.61	0.43	0.42	0.24	0.09
(2,175)	50,437	83,185	5,580	28,352	6,990	4,850
43,637	29,186	(4,164)	14,378	(1,049)	1,014	(562)
44,823	26,518	36,132	3,951	6,876	6,140	8,343
261,901	148,592	84,722	62,009	46,825	27,749	16,948
0.17:1	0.18:1	0.43:1	0.06:1	0.15:1	0.22:1	0.49:1
67,744,881	61,847,022	60,958,629	57,012,552	53,622,159	49,466,032	41,441,991
4.50	11.53	8.42	2.33	1.67	1.88	0.48

Share Trading Summary

For the Three Months Ended	High (\$)	Low (\$)	High (\$)	Volume	Value (\$)
2001					
March 31	18.98	14.96	15.50	9,485,442	163,692,475
June 30	19.90	14.00	15.05	10,337,025	174,214,795
September 30	15.95	10.25	11.10	12,116,731	257,175,500
December 31	13.90	10.40	13.35	12,697,369	156,473,365
Total				52,636,567	751,556,334
2000					
March 31	14.72	9.60	11.20	20,851,809	254,199,768
June 30	17.82	12.85	16.50	18,408,357	292,782,900
September 30	19.00	15.17	17.52	12,033,183	202,539,931
December 31	18.50	13.88	18.50	14,221,713	215,544,356
Total				65,515,062	965,066,955

Information has been restated to reflect the 3-for-1 stock split effective May 31, 2001.

Additional Information

The Company

Ensign Resource Service Group Inc. was incorporated on March 31, 1987 pursuant to the provisions of the Business Corporations Act (Alberta). Pursuant to a prospectus, on December 15, 1987, the Company became a reporting issuer in the Province of Alberta.

Subsidiaries

The following table sets forth the principal operating subsidiaries of the Company, the percentage of shares owned, directly or indirectly, by the Company and the jurisdiction of incorporation or continuance of the subsidiaries as of March 31, 2002.

Name of Subsidiary	Jurisdiction of Incorporation or Continuance	Percentage of shares beneficially owned or controlled by the Company
Artisan Corporation	Alberta	100%
Arctic Ensign Drilling Ltd.	Northwest Territories	49%
Badge Services Inc.	Alberta	100%
Caza Drilling Inc.	Colorado	100%
Caza Drilling (California) Inc.	California	100%
Champion Drilling Inc.	Alberta	100%
Continuous Tubing Inc.	Alberta	100%
Ensign Drilling Inc.	Alberta	100%
Gwich'in Ensign Oilfield Services Inc.	Northwest Territories	49%
Leyen Oil Well Servicing Ltd.	Saskatchewan	100%
Opsco Energy Industries Ltd.	Alberta	100%
Rockwell Servicing Inc.	Alberta	100%
Tri-City Drilling Inc.	Alberta	100%

Recent Acquisitions

August 1999	Acquired the underbalanced drilling assets of ICE Drilling Systems Inc.
August 1999	Acquired 11 well servicing rigs from Badge Services Ltd.
September 1999	Acquired two drilling rigs from Double Eagle Drilling Ltd.
November 1999	Acquired two drilling rigs from Ivanhoe Energy Inc.
December 1999	Acquired one drilling rig from Slate Drilling Ltd.
February 2000	Acquired slick-line wireline assets located in Rainbow Lake, Alberta from Halliburton Group Canada Inc.
April 2000	Acquired Gary Drilling Company, which owns and operates 18 drilling rigs based in Bakersfield, California, United States.
May 2000	Acquired five drilling rigs from Ashby Drilling Corporation.
October 2000	Acquired five drilling rigs from Pirate Drilling Ltd.
January 2001	Acquired slick-line wireline assets located in Grande Prairie, Alberta and Drayton Valley, Alberta from Baker Hughes Canada Company.

Description of the Business

All of the Company's revenue is derived from the provision of oilfield services supplied through eight divisions, which include the subsidiaries listed previously. The following identifies the principal operating divisions of the Company and their fleet size as at March 31, 2002.

Division	Fleet size	Area of operation
Ensign Drilling Partnership		
Champion Drilling	32 drilling rigs	Western Canada
Ensign Drilling	86 drilling rigs	Western Canada
Tri-City Drilling	36 drilling rigs	Western Canada
Caza Drilling Inc.	52 drilling rigs	Rocky Mountain region, United States
Caza Drilling (California) Inc.	17 drilling rigs	California, United States
Rockwell Servicing Partnership	126 well servicing rigs 13 coiled tubing units	Western Canada
Opsco Energy Industries		Western Canada
Enhanced Petroleum Services Partnership		
Enhanced Drill Systems	12 underbalanced packages	Western Canada
Chandel Rentals		Western Canada

Operating Management

Canadian Drilling

Selby Porter
President

Bob Geddes
*Vice President and
Chief Operating Officer*

Earle Routly
Vice President – Drilling

Rick Simonton
Sales and Marketing Director

Tom Fellows
Director Credit Management

Bob Apps
Sales Representative

Jason Darrow
Sales Representative

Judy Selby
Sales Representative

Rob Wilman
Safety Coordinator

Dave Fyhn
Manager Administration

Champion Drilling
Joe Hemsing
General Manager

Darryl Maser
Operations Manager

Keith Mattson
Drilling Superintendent

Matt Schmitz
Drilling Superintendent

Paul Fitton
Drilling Superintendent

Dean Ulmer
Safety and Personnel

Linda Brooker
Chief Accountant

Ensign Drilling
Wayne Kipp
Vice President – Operations

Bob Zanusso
Senior Operations Manager

Dave Surridge
Operations Manager

Paul Meade-Clift
Director Engineering

Ron Pettapiece
Senior Operations Engineer

Wayde Barker
Drilling Superintendent

Manfred Behnke
Drilling Superintendent

Roch Currier
Drilling Superintendent

Don Juska
Drilling Superintendent

Dale Leitner
Drilling Superintendent

Rick Mann
Drilling Superintendent

Wayne Zandee
Drilling Superintendent

Hank VanDrunen
Shop Manager

Walter Hopf
Field Safety Co-ordinator

Arnet Pachal
Materials Coordinator

Joe Brlekovich
Maintenance Superintendent

Tom McDonald
Business Manager

Cindy Hames
Personnel Manager

Donna Conley
Chief Accountant

Tri-City Drilling
Steve Mathews
General Manager

Rick VanEe
Operations Manager

Darin Ramsell
Drilling Superintendent

Hans Jandl
Drilling Superintendent

Ian Mossop
Drilling Superintendent

Mike Przysiezny
Drilling Superintendent

Jan Badin
Safety and Training Coordinator

Donna Conley
Chief Accountant

U.S. Drilling

Selby Porter
President

Ed Kautz
*Vice President and
Chief Operating Officer*

Caza Drilling Inc.
Mike Nuss
*General Manager –
Operations and Contracts*

Tom Schledwitz
*General Manager –
Operations and Engineering*

Steve Hunt
Controller

Hugh Giberson
Drilling Manager

Jim McCathron
Drilling Manager

Jeff Salen
Drilling Manager

Matt Rohret
Drilling Manager

Mel Curtis
Drilling Superintendent

Larry Lorenz
Drilling Superintendent

K. L. Tipps
Equipment Manager

Harry Olds
*Director of Health, Safety
and Environment*

Dan Welschmeyer
*Manager of Health, Safety
and Environment*

Steve Grimes
Sales Representative

Operating Management

Caza Drilling

(California) Inc.
Gene Gaz
Area Manager

Troy Azlin
Drilling Manager

Terry Ellis
*Manager of Health, Safety
and Environment*

Sandy Bullman
Chief Accountant

Canadian Well Servicing

Glenn Dagenais
President

Bryan Toth
*Vice President and
General Manager*

Kirk Schroter
Divisional Controller

Lyle Aubin
Operations Manager

Tim Huber
Southeast Area Manager

Art Brunet
Northwest Area Manager

Gary Bennett
Sales and Marketing Director

Robin Brittner
Sales Representative

Daryl Sutherland
Sales Representative

Mike Geissmann
Safety Coordinator

Yvonne Covey
Chief Accountant

Ardmore Station

Jeff Hallwachs
Station Manager

Jeff Brant
*Field Superintendent
Slave Lake*

John Charlton
Field Superintendent

Kevin Rudell
Field Superintendent

Brooks Station

Lyndon Irving
Station Manager

Ed McCormick
Field Superintendent

Norm Reid
Field Superintendent

Gary Short
*Field Superintendent
Taber*

Jim Tomlinson
Field Superintendent

Wayne Lawson
Sales Representative

Estevan Station

Jerry Mehler
Station Manager

Brian Crossman
Sales Representative

Grande Prairie Station

Fred Steward
Station Manager

Cameron Ball
Field Superintendent

Brett Taylor
Sales Representative

Lloydminster Station

Roger Snider
*Station Manager
Lloydminster*

Darwin Dean
Senior Sales Representative

Miles Kosteriva
Equipment Superintendent

Myron Aubin
Shop Manager

Red Deer Station

R.J. Toth
Station Manager

Gord Riguidel
Field Superintendent

Abe Shihinski
Field Superintendent

Opsco Energy Industries

Bob Dear
*Vice President and
General Manager*

Dale Doering
*Vice President Administration
and Finance*

Buzz Bradley
*Vice President Marketing and
Business Development*

Ashraf Rajabali
Manufacturing Manager

Craig Delaney
Wireline Manager

Randy Reschke
Production Testing Manager

Jim Bucek
Safety Supervisor

Enhanced Petroleum Services

Jason Hager
*Vice President and
General Manager*

Sheldon Jasper
*Operations Manager
Enhanced Drill Systems*

Ralph Cock
*Operations Manager
Chandel Rentals*

Julia Hawes
Chief Accountant

Offices

Champion Drilling Inc.

1 Tree Road
P.O. Box 1090
Brooks, AB T1R 1B9
Telephone: (403) 362-4400
Facsimile: (403) 362-6165

Ensign Drilling Inc.

900, 400 – Fifth Avenue S.W.
Calgary, AB T2P 0L6
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Facsimile: (403) 266-3596

Nisku Operations Centre

2001 Fourth Street
Nisku, AB T9E 7W6
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Facsimile: (780) 955-7208

Estevan Office

Telephone: (306) 634-9411
Facsimile: (306) 634-6652

Grande Prairie Office

Telephone: (780) 567-2993
Facsimile: (780) 567-3012

Tri-City Drilling Inc.

14305 - 120 Avenue
Edmonton, AB T5L 2R8
Telephone: (780) 453-3771
Facsimile: (780) 453-3198

Caza Drilling Inc.

Suite 360, 1801 Broadway
Denver, CO 80202 USA
Telephone: (303) 292-1206
Facsimile: (303) 292-5843

Caza Drilling (California) Inc.

7001 Charity Avenue
Bakersfield, CA 93308 USA
Telephone: (661) 589-0111
Facsimile: (661) 589-0283

Rockwell Servicing Partnership

860, 400 - Fifth Avenue S.W.
Calgary, AB T2P 0L6
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Facsimile: (403) 262-0026

Ardmore Office

Telephone: (780) 826-6464
Facsimile: (780) 826-4305

Brooks Office

Telephone: (403) 362-3346
Facsimile: (403) 362-6069

Estevan Office

Telephone: (306) 634-5522
Facsimile: (306) 634-3238

Grande Prairie Office

Telephone: (780) 539-6736
Facsimile: (780) 539-1993

Lloydminster Office

6302 - 53 Avenue
Lloydminster, AB T9V 2E2
Telephone: (780) 875-5278
Facsimile: (780) 875-6402

Red Deer Office

Telephone: (403) 346-6175
Facsimile: (403) 343-6061

Opsco Energy Industries Ltd.

415 Monument Place S.E.
Calgary, AB T2A 1X4
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Facsimile: (403) 272-6414

Directors

Jack Donald
Chairman of the Board
Parkland Industries Ltd.

N. Murray Edwards ^{2,3}
President
Edco Financial Holdings Ltd.

James B. Howe ^{1,2,3}
President
Bragg Creek Financial
Consultants Ltd.

Donald Jewitt ^{1,2}
President
Veteran Resources Inc.

Len Kangas ²
Independent Businessman

Selby Porter
President
Ensign Resource Service Group Inc.

John Schroeder ^{1,3}
Vice President Finance
Parkland Industries Ltd.

George S. Ward
Independent Businessman

Committee Members

¹ Audit

² Corporate Governance

³ Compensation

Corporate Management

N. Murray Edwards
Chairman

Selby Porter
President

Glenn Dagenais
Vice President Finance and
Chief Financial Officer

Tom Medvedic
Treasurer

Bruce Moyes
Corporate Controller

Head Office

900, 400 - Fifth Avenue S.W.
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Telephone (403) 262-1361
Facsimile (403) 262-8215

Bankers

Royal Bank of Canada
Canadian Imperial Bank of Commerce

Auditors

PricewaterhouseCoopers LLP

Legal Counsel

Burnet, Duckworth & Palmer LLP

Stock Exchange Listing

The Toronto Stock Exchange
Symbol: ESI

Transfer Agent

Computershare Trust Company of Canada

Website

www.ensigngroup.com

Notice of Annual and Special Meeting

The Ensign Group's Annual and Special Meeting of Shareholders will be held on Wednesday, May 22, 2002, at 3:00 p.m. M.S.T. at the Calgary Petroleum Club, 319 - 5th Avenue S.W., Calgary, Alberta. All shareholders are invited to attend, but if unable, we request the form of proxy be signed and returned.

Our Employees

We would like to thank our employees for their dedication and commitment to ensuring our success as a company. With their help, we are certain to remain an industry leader for years to come

Thomas Ridsdale Dave Surridge Edith van der Borgh Charlene Linford Kevin Rudell Craig Marshall Karl Reeves Judy Selby Selby Porter Wade Benson La Donna Ashcroft Wade Paton Billy Nelms Paul Meade-Clift Blake Prosavich Darin Ramsell Douglas Guthrie Craig Lonsdale Jason Dirk Duaine Murphy Joe Hemsing Laureen Hagg Darren Lutz Scott Kelly Barry Eggenberg Cindy Hames James Jenkins Richard Nagai Gerald Beaupre Dale Doering George Woodall Leon Beaudoin Jason Pretty Emil Wark Tim Christian Joan Pearce Ryan Plamondon Ken Smiley Tony Janz Michelle Lussier R.J. Toth Craig Benson Dean Vigna Kelly Schwartz Gerry Stone Stephen Grimes Gerald Huber Donna Decoteau Elsa Mata Richard Mann Kevin Radcliffe Denis Lemire Dean Ulmer Gary Short Donna Conley Ronald Rustad Alice Fritch Chuck Morrison Bryan Jenner Evanne Rowland Curtis Duk Gerald McBride Dean Toszczak Ron Leblanc Bruce Retzler Brad Kehler Bob Gow Tom Medvedic Jennifer Jimenez Jim Brooks Karolina Svoboda Wayne Hrehorets Ross Rutherford Louise La Rue Tom McDonald Chris MacFadyen Darcy McManus Myron Aubin Conlie Wilk Blain Sweet Terry Wasyluk Carrie Willers David Pilipchuk David Jackson Dean Fockler Ed Holman George Chichenko David Gjovig James Bucek Darwin Dean Joan Dunlop Julia Hawes Tanya Selirio John Bonelli Rejean Girard Eugene Edelmann Daryl Sutherland Garth Willson Buzz Bradley Sheri Trach Jamie Prodhall Jason Pollom Matthew Udall Donald Kleisinger Charlie Brewer Christine Miller Evan Javorsky Shane Miller Laurier Carriere Ronald Thomas David Blakeney Karla Naundorf Peter Suhan Robert Jensen Jerry Mehler Vicky Bradford Colleen Ferguson Ronald Dornian Robert Gallant Bryan Toth Gary Bennett Dale Vivian Dean McNally Deb Smith Gene Gaz Rick Vanee John Cusanelli Jeffrey Hallwachs Jason Roberts Denise Taylor Kelly Savage Wayne Zandee Calvin Johner Dave Guibault Leslie Verreau Mike Przysiezny Tim Schmidt Holland Chan Kevin Parasiuk Everette Coughlin Jerry Bierkos Keith Mattson Rod Bradshaw Glen Leroy Mark Coates Bernice Dunham Cameron Ball Ronald Haimila David Harding Bill Lewis Aftin Coderre Robert Mattson Clay Bradley Norm Parslow Brian Pitt-Taylor Colleen Lucyshyn James McManigal Dale Fraser Celly Taylor Darren Lebsack Gabriela Liberty Yolande Kohlman Paulette Houseman Kim Brocklesby Steve Jorgenson Steve Zimmermann Carl Nelson Cory Wentzell Leon Purvis Matt Moffatt Patrick Potratz Steven Corr John Glazer Ricky Kimmie Mike Paulson Lyle Wood Richard Doll Shawn Rondeau Jeff Salen Murray Dube Gretchen Connelly Joy Kowatch Larry Gates Sandra McCallum Scott Mink Steve Dobbs Thomas Schledwitz Tracie Janke Vaughn Schmutz Denny Siddall Ron Wittevrongel Michael Geissmann Paul Nykiforuk Ronald Harr John Schriener Mary Dunmire Jere Nash Gurminder Kaur Jake Glowach Warren Dawe Don Bierkos Ian Craig Rick Gosse Ron Pettapiece Mike Hache Jason Darrow Hans Jandl Sheldon Jasper Grant Yeske Denis Carriere David Dornian Bruce Ehlke Chris Mielnik Dennis Steinhubl Kevin Lestrat Marvin Gideon Darwin Kinshella Lorraine Levnik Glen Ayers Kelly Sveum Richard Simonton Rob Tolley Ron Meyer O'Neill Pereira Richard Waring David Case Roger Snider Jean-Luc Breault Randy Fasick Peter Nykiforuk Ryan Sellers Trudy Spohr Glen Steffler Don Fogle Len Minor Harvey Danyluk Barry Whitten Terry Ellis Daniel Simard Jerry Case Ed Marty Chris Klein Harry Shaw Darren Johnson Lyle Prosser Steve Guyan Dave Fyhn Roy Klemola Bob Geddes Andrea Webley Linda Wright Manfred Behnke Craig Barker Randy Reschke Walter Kapustianyk Rick Meyn Carole Chiasson James Bennett Elliot Smith Bonnie Webb Theo Richards Allan Taylor Darwin Beynon Corine Kody Dawn Furze Dan James Brian Watts Edward Kautz George Caldwell Dean Koslowski Grant Clearwater Gary Hulford Richard MacPherson Shelly-Ann Cruickshank Lyle Aubin Tracy Weinberger Michael Ewaschuk Travis Thacker Don Grant Daniel Welschmeyer Bob Zanusso Ashraf Rajabali John O'Dell Sandra Healey Gordon Metzner Stephen Hunt Richard George, Jr. Derek Brault Matthew Vaughn Rob Wilman Brian Crossman Bernard Jancewicz Jason Hager Tom Atkison Jim O'Keefe Tim Stanley Rock Rasmussen Michael Heber Dale Munro Art Brunet Bernie Nedelec Leslie Wiebe Chad Toth Brett Taylor Brian Steeves Robert Hozjan Stewart Hourd Larry Clark Lynne Schlosser Phil Moore Cory Dixon Earle Routly Chris Molish Stan Veres Shannon Hancock Brian Dixon James Bunker Carl Rosson Janet Ingram Russel Ladouceur Ryan Hildenbrand Kevin MacDonald Miles Kosteriva Brad Beckley Barry Stevens Steffany Kittlitz David Kormos Don Hachey Troy Smith Wayne Harwood Lance Bergenham Nicole Ferguson Harry Olds, II Victor Lentz Keith Domoney Carrie McColl Jeff Gibson Michael Milford Kelly Prang Mark Nugara John Koch Wes Napier Milt Caines Kirk Schroter Myra Schatten Scott Marshall Warren McCutchan Christian Halladay Jaspal Kahlon Aaron Schaumleffel Sandy Bullman James Monroe James Meick Nola Omdahl Joe Brann Ioy Honeycutt Walter Perrin James Charter Larry Janz Jeff Brant Gerard Dirk Lloyd Huber Sukhdeep Grewal Donald Handeland John Blake Roch Currier Kevin Curtis Louis Henley Wesley Allen Jason Fish Richard Knizat Micah Bose Joe Brlekovich Lyndon Irving Keith Goodheart Kirby Prosavich Mike Paver Nancy Knourek Tim Bock-Phillip Karen Hyde Teresa Hauser Lorette Bain William Delaney Patricia Wood Timothy Bews Glenn Dagenais Leander Durand Timothy Nicholson William Ward Trent Tornquist Jerry Rogers Frank Amos Tanya Boyce Ken Dyrland Don Drul Trevor Krayco Gerald Bremner Dave Pietrzykowski Dale Leitner Jason Brothen Russ Myers Roger Duckett Randy Middagh Jason Behiel Colleen Kublik Robin Brittner Colleen Kjolberg Edwin Blondin Rick Lea Robert Rodin Ralph Cock Lisa Crawley Lorraine Setla Todd Arnold Tracy Sawatzky Ian Nichols Kelly Martin Wayne Kipp Stewart Snook Ken Swan Greg Martell Patrick Renaud Jacqueline Wald Mike Gauthier Glen Nielsen Gordy Torgerson Gregory Page Sindi Schornagel Stephen Matthews Steven Haugland Ted Nelson Trent Tessman Trevor Lanz David Dodd Lewis Gentry Mike L'Hirondelle Brent Stewart Dean Petryna Tanya Klevsky Wayne Lawson Steve Halladay Elmer Schroeder Pete Wollman Rusty Mingo Roger Pike Terry McAmmond Dave Fredrickson Joseph Tucker Kenneth Tipps Hank Van Drunen Rod Orange Arnold Kessel Rene Garton Patricia De Paoli Lee Andrews Richard Nobert Nicholas Malansky Paul Illerbrun Scott Parish Arnet Pachal Shad Lundquist Sharon White Bert Wilken Richard Thingstad Darek Cookman Chantelle Roy Ed McCormick Melissa Murray Kevin Massine Linda Lekic Dennis Hansen Vernon Dornian Andy Smith Jason Herman Matt Rohret Norm Reid Peter Ens Ron Gallant Kenny Dort Dale Stafford Brian Arneson Marie Fisher Michael Matson Tara Wight Mike Augart Wes Lasante Doug Lancaster Alvin Pyle Darren Tobler David Page Bruce Moyes Todd Walsh Jennifer Larson Jim Tomlinson Kim Getz Michael Tinlin Nancy Armstrong Daniel Brown Cory Gabruck Ken McTavish Richard Howey Don Brown Errick Warren Fred Steward Jody Trembecki Reid Paulson Todd Fritz Ray Ash Sherry Humphrey Devin Dutertre Julie Ridsdale Timothy Woodard Dave Green Lorne Levsen Lance Herman Yvonne Covey Kevin Conley Amie Van Housen Richard Weliever Douglas Napton Edwin Mattie Norm Caron Dennis Maxwell Herbert Romine Jr. Tom Fellows Devon Senft Darin Reichwald Cory Barnes David Megyes Dana Rae Wayne Franke Judy Krack Richard Klymok Wayne Barker Michelle Bond Michael Schell Michael Singer Douglas Peterson Randy Kennedy Matt Schmitz Lorne Somers Eugenie Stupka Allen Ingram James Waters Les Blankenship Darcy Buchta Perry Jundt Howard Chadwick Lorne Oja John Charlton Dave Steidel Dave Clark Norman Regehr Andy Williams Cory Ladouceur Ken Lustig Kevin Chysyk Earnest Graham Jr. Troy Azlin Ronnie Rosson Maurice Baik Renae Hourigan Richard Christian Craig Delaney Hugh Bowie John Larkin Ken Evans James Ryan Gord Riguidel Daniel Shihinski Reece Bowne Kevin Stromberg Shannon Proven Howard Savage Paul Fitton Victor Fehr David Fenerty Jan Badin Teryl Aide Keith Hough Ted Waldner George Irvin Mike Quayle Teresa Hamilton Alvin Musty Glen Stewart Ian Mossop Robert Apps Jennifer Nielsen Douglas Lane Lloyd Lewis Rich Bowie Wayne Beynon Terry Paterson Daryl Brown James Barclay Preston Eklund Lawrence Bews Michael Nuss Waylon Capner Larry Ballantyne Larry Faulkner Robert Dear Collin Stallknecht Mike Noade Ken Coughlin Natosha Chamblin Steve Gault Karen Allarie Martin Timmons Marty Hennel Mike McMullan Marlyce Springer Cory Hayes Scott Compagnon Brian Vandenbrink Bart Elchuk Mike Gisi Shane Armstrong Keith Dorey Margaret Trella Robert Cardinal Ted Bansch Kirk Dukett Dennis Juska Patrick Carriere Lisa Rennie Kenneth Omdahl Jeffrey Kaiser Bill Myers Dawn Strazza John Sidor Bill Phillips Shane O'Neill James Thul Jim Beckley Richard Terrell Leroy Pasmenny Dwayne Grosskleg Tracey Sweeney Rodger McCune Linda Brooker Donald House Jason Keeping Darcy Hildenbrand Henry Kessel Glen Dembicki Helmut Stubenvoll Milan Savich Starla Thouin Darryl Maser Stewart McLaughlan Walter Hopf Gerald Armstrong Richard Hull Barry Schultz Jim Gipson, Jr. Les Christian Buster Lewis Mike Alford John McCain (and many more).



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